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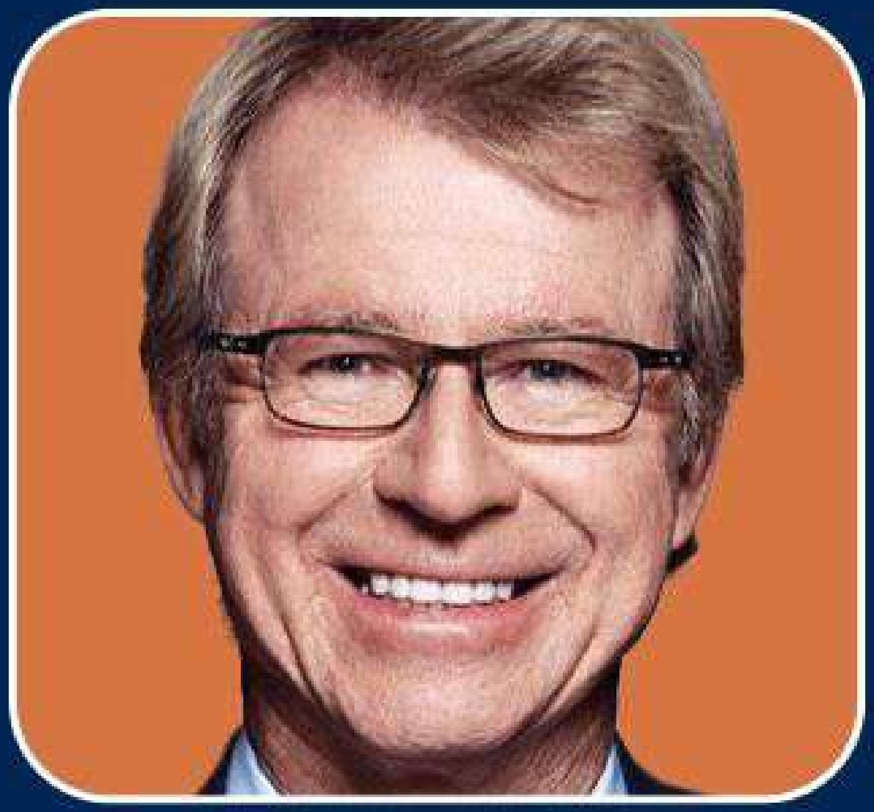

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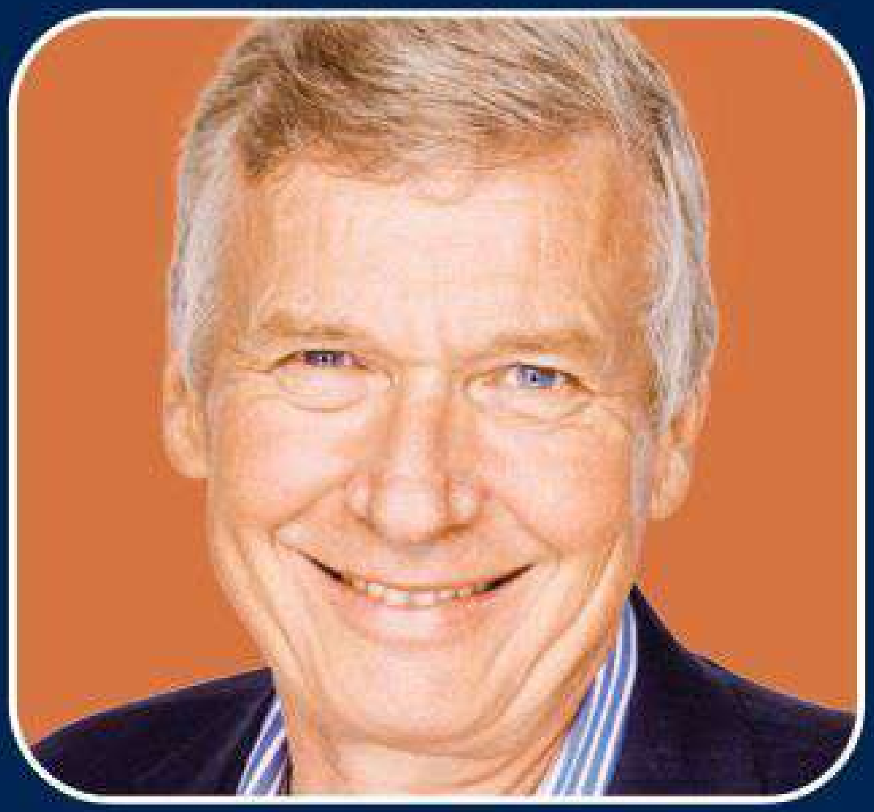

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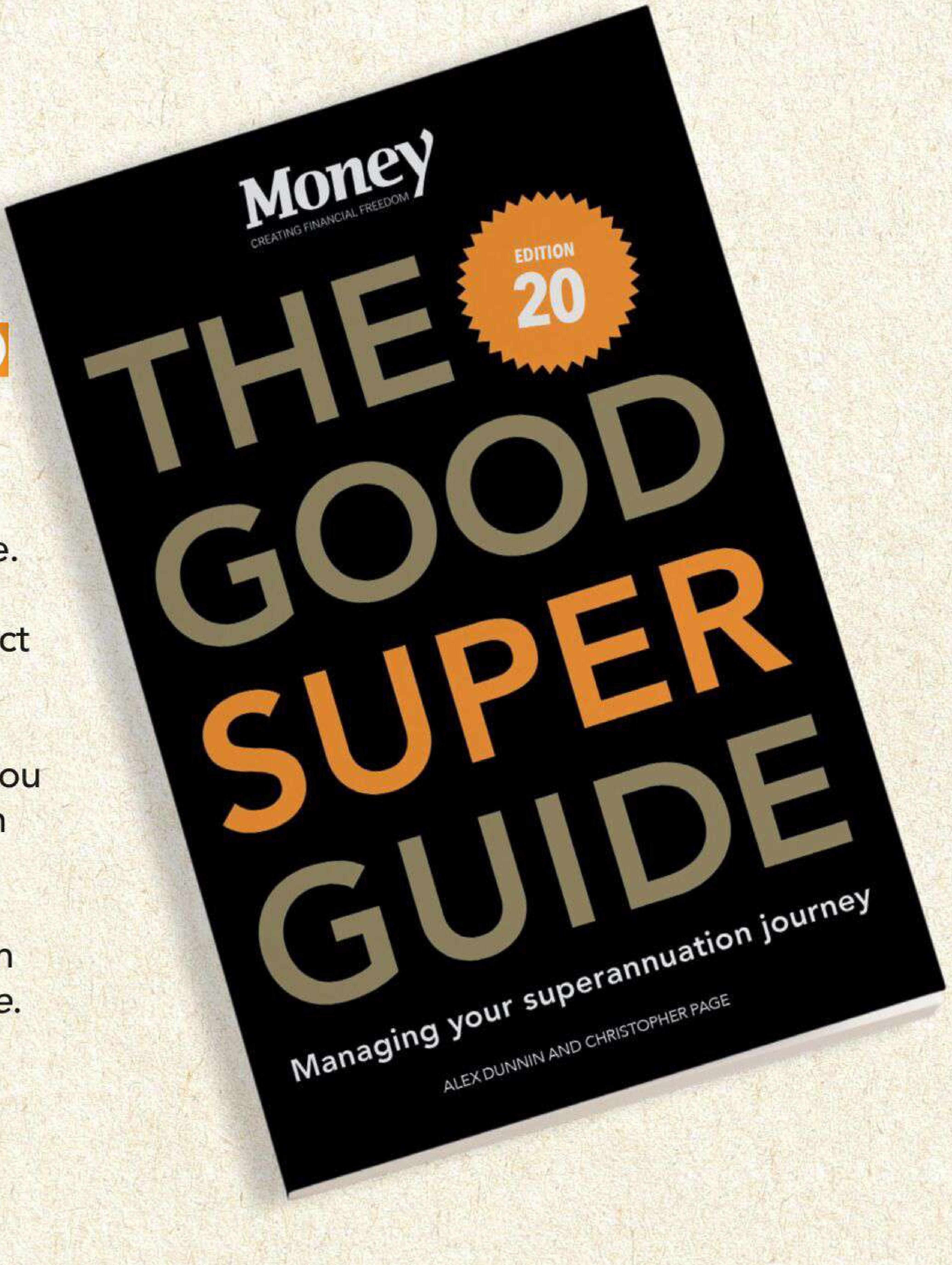
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EDITOR'S DESK

To have and to hold

Making money is a choice. In this issue, we run our annual cover story on how best to invest $10,000. Some of you want to put these extra savings towards property while others prefer shares. The good news is that you have several options, as our experts explain in our cover story (page 32).

Making money is also about adapting to change. As part of our Super Booster campaign, we encourage you to check whether your super fund is the one that best suits your individual needs, especially if you haven't reviewed it for years.

At the very least, you need to know if your retirement savings are in the right investment mix. As Nicola Field writes this month, don't just settle for the default option (page 55).

Finally, making money is a commitment. You can be rich one day and poor the next if you treat wealth building like a new year's resolution – as something that holds your attention for just a short period before you slide back into your old financial habits.

Let us help you stay committed through our articles, which reflect the choices and changes that could affect your investments.

To this end, we are proud to reach a fresh milestone – our 250th issue. Check out Julia Newbould's column "250 great reasons to celebrate" (page 10) to find out more about the magazine's beginnings and how we remain committed to achieving the same goals to this day.

On behalf of the *Money* team, we want to welcome our new readers who picked up *Money* magazine for the first time this year. And to our long-time readers who have been with us since day one, this issue is dedicated to you.

Michelle

Michelle Baltazar,
Editor-in-chief

Feedback

Letter of the month

Shared finances are good for a relationship

I have always been a little intrigued by how couples handle money, as I know it can impact relationships. I admittedly find it surprising when couples have separate bank accounts or view money as separate from each other.

My husband and I have been happily married for 25 years with me spending a large number of those years at home raising our family. I manage our money to meet our common goals. A key component of this is that we view any income as equally both of ours. We have both always worked, albeit my husband in paid work and myself for a long period at home in unpaid work.

I feel our strong viewpoint regarding our money has helped not only our relationship but our goal of being financially secure. It's also provided a financial role model for our now young-adult children.

Simone

Slow and steady wins the savings race

I have been an avid fan of *Money* since 2010. Much of my foundation in finance has been gleaned from reading every edition cover to cover since then. In June 2015, I wrote to Paul regarding where to save for a first home (either in savings or the sharemarket). The question was also featured in a "Top 10 Best of Ask Paul" question series in March 2017. His advice was spot on.

We set up a regular savings plan into a high-interest savings account and some seven years later my now wife and I have just purchased our first home with a 20% deposit in our early 30s. Even as the market kept going up and up, we stuck to our savings goals and resisted the "fear of missing out" phenomenon. We even have some additional savings left over to be able to make some modifications to the property in the next few months. In addition, we have continued to build up our share portfolios and make additional contributions to our super accounts.

Now we have the satisfaction of buying something we could afford in an area that we love. The moral of the story is that slow and steady sometimes does win the race. The irony was not lost on us that our purchase occurred in the same month as the feature on buying and selling property. Thanks *Money* magazine!

Hugh

Flight goes ahead with or without you

Patrick's opinion ("Air travel has a huge environmental cost", Letters, October) is ridiculous. Whether he is on the aeroplane or not, it will still emit the same gasses and behave exactly as all aeroplanes do when they fly.

I attended a meeting in Melbourne a few years ago, and a lady from Canberra decided she would not attend "to save the planet", as she thought by not going 1000kg less gasses would be emitted by the two engines on the B737. The plane was going anyway, and whether she was on it or not would not make the slightest difference to the outcome.

The end result was that her absence from the meeting caused disruption to the business, and then she complained because the meeting decided against what she would have said had she been there.

How *Money* magazine can award Letter of the Month to this type of contribution defies reason.

Phillip

Ed's note: If enough people change their behaviour, then products and services must adapt. Millions of people have been unable to fly during Covid, keeping thousands of planes on the ground. It would take a lot of us choosing not to fly for this to continue once borders reopen but as the saying goes "one small change ..."

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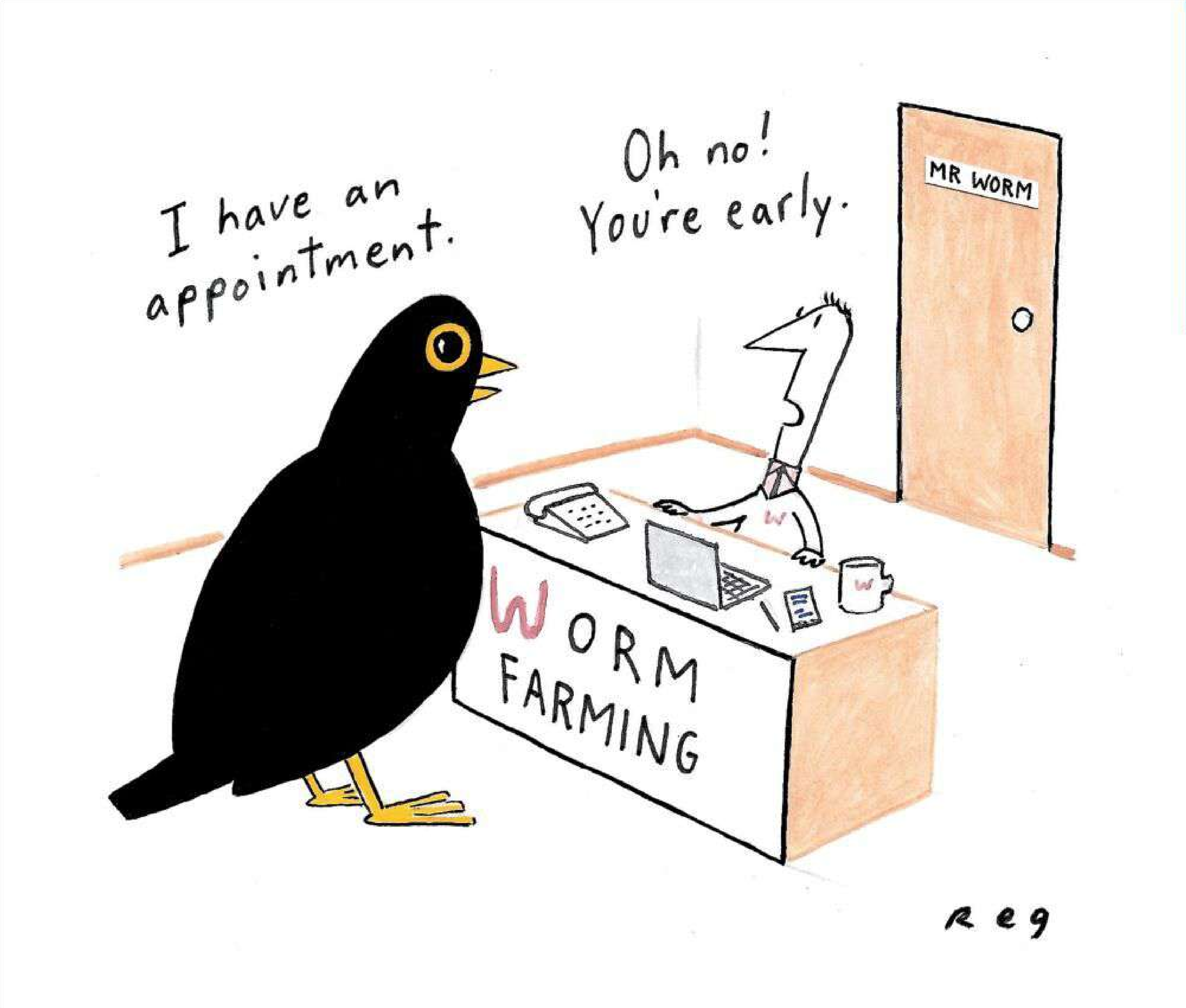
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What would you do with $10k right now?

NICOLA FIELD

I'm a great believer in investing in businesses I know and understand. I'd tip $10,000 into FANG stocks – Facebook, Apple, Netflix and Google. Amazon is normally in the FANG line-up but I'm batting for Apple, which pumps out new products consumers love. The FANG companies have robust business models that show no real signs of slowing down. Plus, they have diversified businesses across software, consumer products and the cloud. Also, my cat is called Fang.

JULIA NEWBOULD

I would put $7500 into super and make sure I had a pretty even spread of Australian and international shares. Within my current investment choices I've also narrowed it down to sustainable and environmental options. The remainder would go on a course to make me more marketable, whether that's presenting, social media or design. I think it's important to maintain relevancy in the market. It's as valuable as money in the bank.

PHIL SLADE

I would look at businesses benefiting from the softening of border restrictions. Airlines, hospitality and travel businesses come to mind. I would also look at insurers. The lack of recent extreme weather events, lower claim rates due to reduced travel, rapid advancement in resilient building technology and a high barrier to entry for digital disruptors should see share values rising in the short term and maintaining that value for some time to come.

SAM STARRAT

The pandemic has driven the need for point-of-care and home-based testing. Companies with Covid tailwinds should generate strong value for investors through rapid antigen and antibody diagnostics as governments move to Covid-management strategy. Growth in the home-based and telehealth market opens the way for biotechs to disrupt the lab-based market and move into lifestyle and wellness applications. Atomo Diagnostics is one I'm in.

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MONEY TALKS **Julia Newbould**

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SHARES
GETTING IT RIGHT

250 great reasons to celebrate

More than 20 years after its launch, *Money* is still fulfilling its core mission of providing readers with the latest information to make the best choices

Money celebrates its 250th issue this month! We're proud to reach this milestone in 2021. And at a time when print sales are declining, we've increased our readership by 134.6% (online and in print). For that, we want to thank our staff, our contributors and, most of all you, our loyal readers.

The original inspiration for the magazine hasn't changed since it was launched in 1999, following the TV program of the same name that had debuted 10 years earlier.

"If you'd told me I'd still be publishing hard copy for the 250th time I wouldn't have believed that," says Paul Clitheroe, founder and editorial adviser.

For me it's about equity: ensuring financial information and advice are available to everyone who is interested in making the most of their finances. The lessons from *Rich Dad, Poor Dad*, which showed how the inequity in financial information can often be determined by socio-economic conditions, shaped my thinking about money, and I believe strongly in providing information to anyone who wants it.

"One thing the magazine has always retained is its commonsense – the old lessons of 'spend less than you earn' and 'if it's too good to be true it probably is'," says Clitheroe.

He says the biggest change in the past 22 years has been that people's knowledge about money has grown steadily. But the complexity of the money markets – trusts, ETFs, warrants, etc – has been unexpected.

"The world is at a level of financial sophistication I find extraordinary. I thought we'd be able to show people how to be their own money coach, but now when I'm thinking about my tax I call my tax adviser. For example, with the CBA buyback I understand how it works, but how exactly does the franked dividend apply to me? And with the rates of tax on my super fund I go to a superannuation adviser," he says.

The *Money* program started on Channel 9 despite the boss, Kerry Packer, not seeing its value. "He hated the idea. He said if you have a six pack of beer in the fridge, what more could you want for?" recalls Clitheroe.

However, he pressed on and the show rated consistently in the top 10 TV programs.

"The *Money* show launched on the idea that you make a choice – it's your money. No one will tell you what to do, but here's some information," says Clitheroe. Customers could leave their bank for a better deal. People hadn't realised this. They then started looking for better deals on insurance and other products. Our Best of the Best issue (December-January) carries on this mission each year.

Clitheroe says *Money*'s fundamental premise is to provide decent commonsense advice. "No promises of getting rich quick, but how you can use your money better to make better returns and understand risk."

The founding editor of *Money* and still a columnist, Pam Walkley, says readers have always seemed to have a big thirst for knowledge. "They like to know about new products – the upside and the downside. It was important for us to not just promote new products but to look at fees and risks and those types of things."

There has been an explosion in products – retail investors now have access to corporate debt, fixed income and model portfolios. Exchange traded funds have been available for more than 20 years but in the early days there were only one or two. Now there is $125 billion invested in those products in Australia.

The other big change over time has been fintech, says Walkley.

New technology has enabled products to be offered much more cheaply and more widely, and made them much more accessible. "I think *Money* can enable people to make better decisions on their own or understand whether the decisions being made for them are good decisions."

Former editor Effie Zahos, and Maria Bekiaris, former deputy editor, carried on the tradition until Rainmaker bought the publication in 2019, which brings us to where we are today – our 250th issue.

Chris Brycki, the CEO of the digital investment advice platform Stockspot, appeared in the first issue of *Money* as a 13-year-old, coming second in the ASX Share Investor Competition and turning his "virtual" $50,000 into $524,000. Asked what he'd like to be when he was older, he said he wanted to manage a large financial services business. Now, 22 years later, that's exactly what he does. Stockspot has 10,000 clients, with portfolios ranging from $2000 to $2 million.

Congratulations to our *Money* family on being here to celebrate our 250th issue, and may you all be on your way to creating financial freedom for yourself and your families.

Julia Newbould is Money*'s managing editor.*

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THE BUZZ

Robo advice can deliver the goods at a lower cost

TRADITIONAL, MULTI-TOPIC comprehensive financial advice (often an 80- to 120-page document) has become unaffordable for many investors. Fees can start at around $4000 for the initial advice, and the same again each year if that advice needs to be regularly reviewed.

An alternative has been developed using technology to deliver affordable advice, created by an algorithm, which works by taking data or information the client inputs and interpreting that information against several pre-defined rules. These rules tell the algorithm what to do with the information, such as perform a calculation or compare it with other data. The algorithm has another set of instructions that tell it what to do with the outcome of those comparisons and calculations and those instructions essentially form the "decision making" basis of the advice. This type of advice is often referred to as robo advice.

Robo advice works by using an algorithm that has benefits in addition to the ability to provide advice at scale and at an affordable cost. This advice, however, is not of the (complex) comprehensive style, but rather, "single topic advice". For most of the population – the 85% who earn less than $135,000 a year – this may be more suitable: accessing advice when you need it, one topic at a time, at a price you can afford.

There is a trend to use technology for either fully "client-led advice" where there is no adviser involved or, alternatively, a "hybrid digital-human" experience.

The former is designed to deliver affordable advice covering single topics plans. Each plan typically costs less than $300 including GST – which research tells us is the price point acceptable to consumers. The latter is for those with complex situations who don't mind doing some of the work using the technology, with the final advice validated by the adviser. .

Ultimately, the algorithm creating the advice must be kept updated to cater for any changes to rules for tax, super, insurance. Out of date information could cause incorrect advice recommendations. Fortunately, today's operators are guided by regulatory requirements – everyone makes sure they keep their systems updated.

George Haramis is the CEO of Fiduciary Financial Services, AFSL 247344, trading as moneyGPS, a provider of robo advice. Readers can take advantage of a free Money Check-Up or Retirement Check-Up+ at www.fiduciary.retirewell.online/register?invite-code=MONEYMAG for the month of November.

ON MY MIND

Invest with 'the least regrets'

The Reserve Bank has held the line on the expected path of monetary policy, attempting to anchor expectations of the cash rate out to March 2024.

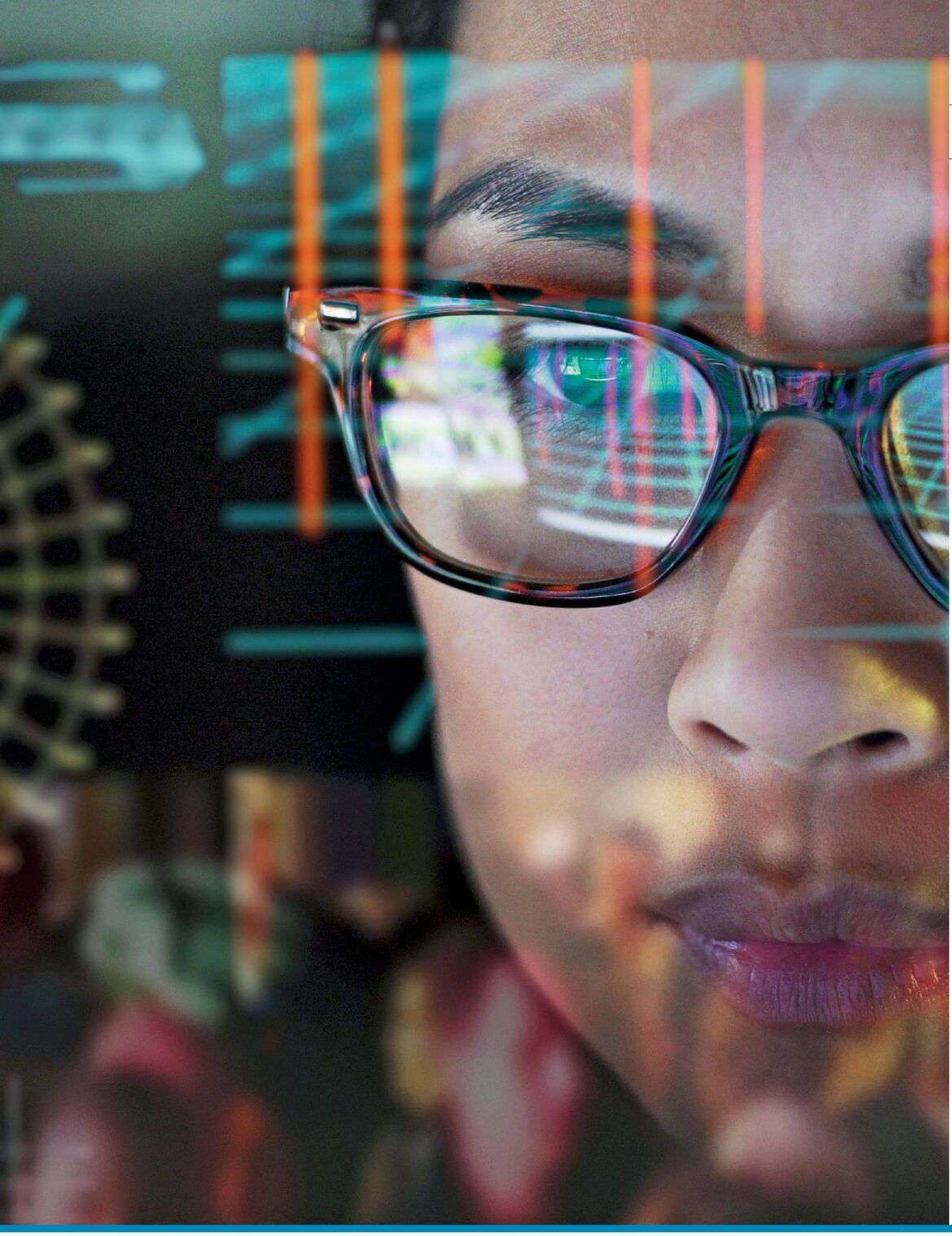
We now see the market pricing 1% and the RBA suggesting more like 0.10% – an expectation gap of some 0.9%. Gaps of this scale are not uncommon at turning points in the market or the economy; we saw something similar in August 2018.

With this gap comes material risk, for both policymaker and market maker. Consequently, this proxy for economy-wide risk also grows with these expectation gaps. A "least regrets" approach may be worth introducing, moving away from articulating expected outcomes to managing for unexpected outcomes. We can be reasonably assured the large downside risks to the economy have been managed and turn our focus to the balance of risks. Clearly, the market has moved passed these static elements and is pricing a far more dynamic response to the fiscal and monetary stimulus received to date. Retail investors should be specifically going into fixed-income products, which hedge inflation and benefit from a rising interest rate environment while not giving away returns/yield.

Christian Baylis, founder of Fortlake Asset Management

CALENDAR OF EVENTS

Tuesday, November 2
RBA interest rate
Friday, November 5
Balance of trade
Wednesday, November 10
NAB business confidence
Thursday, November 11
Westpac consumer confidence
Friday, November 12
Inflation expectations
Friday, November 19
Unemployment rate



NEWS BITES

Complaints about the big four – Westpac, ANZ, NAB and CBA – fell 7% in 2020-21, accounting for 17,593 of a total 42,261, says AFCA. The top five complaints related to unauthorised transactions, service quality, default listing, failing to respond to a request for assistance and incorrect fees or costs. "Over 70% of cases were resolved in the early stages of AFCA's process with an agreement being reached between the complainant and firm or an outcome in favour of the complainant," says AFCA.

OnePath has dethroned AMP as the worst-performing super fund on Stockspot's "fat cat" list. AMP came second, followed by MLC, Zurich and EISS Super, all third. The ranking takes into account fees and performance over five years.

The funds management industry, along with policymakers, must improve classifications of sustainable funds to prevent "greenwashing", according to the IMF. It says proper regulatory oversight needs to be in place to ensure labels fairly represent funds' investment objectives. "This, in turn, increases market confidence and further boosts flows into sustainable funds."

Why pro bono advice matters

When we experience a personal health crisis, life changes in ways we don't expect. Emotions run high and priorities change along with financial decisions.

People may need a guiding hand during these times to get a specific understanding of their financial situation but cannot afford the services of a financial adviser. That is why the Pro Bono Financial Advice Network (PFAN) was created. PFAN is a community of financial advisers who work to improve the financial wellbeing of Australians living with serious illness and/or disability by providing their time and expertise free of charge.

The financial advice provided can be as simple as ensuring insurance policies, such as income protection or total and permanent disability insurances, are maintained.

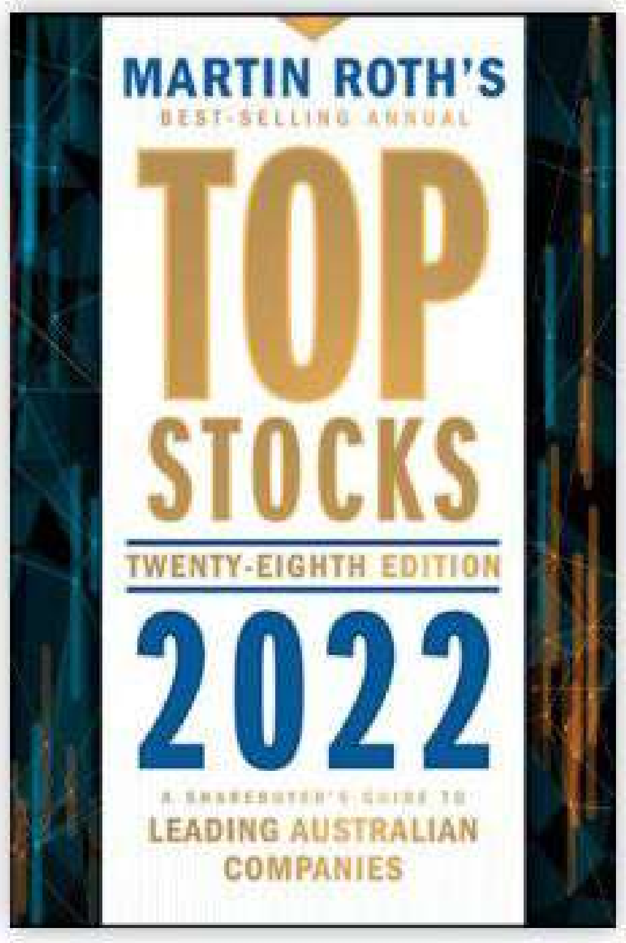
PFAN offers services to eligible individuals living with multiple sclerosis, their families and carers. The nature of MS is that you don't know how it will affect you, and many times it is the invisible symptoms, such as cognitive fatigue, that impact people the most.

We encourage anyone impacted by MS to contact us, even if it is to plan for your future.
Nicola Beswick, chair, Pro Bono Financial Advice Network

45%

of consumers frequently use mobile wallets to make payments, according to the World Payments Report, published by Capgemini. Our region leads the way, with estimates that by 2025 it will represent more than half of global non-cash transactions.

BOOK OF THE MONTH



TOP STOCKS
By Martin Roth
Wiley, RRP $29.95

Now in its 28th year, *Top Stocks* has become one of Australia's most popular stock-picking books. Martin Roth provides the most up-to-date data on public Australian companies to help you determine where to put your money. The book includes company information, latest results and outlook. From the All Ordinaries Index and beyond, it filters out the noise and jargon to guide you through the market using factors such as profitability, debt levels and dividends. It also provides comparative sales and profits data.

Special offer for *Money* readers

To claim your offer, go to educatedinvestor.com.au and click on the Top Stocks 2022 banner. Click "Add to cart". Enter the coupon code "Money2022". Click "go". This will reduce the price of the book by 20%. Shipping will be free for deliveries within Australia. This reader offer expires on December 24, 2021.

APP OF THE MONTH

APP OF THE MONTH
ACACIA
COST: Free
OS: IOS, Google Play

Have you ever wondered how your savings account impacts the environment? Or just how eco-friendly your mortgage is? Acacia Money can help.

Launched in August, the app sets out to educate Aussies about the environmental impact of their financial products.

Acacia Money combines open banking and sustainable analysis tools to give you an environmental assessment of your savings account, mortgage and energy provider, with plans to expand to include super and other investments.

"Acacia allows people to make smart financial decisions that align with their values from the palm of their hands," says founder Anil Sagaram. "Australians are changing the way they make their purchasing choices and the way they manage their money. They are moving away from traditional banking and there is growing interest in not just doing well, but also doing good."

SHARYN MCCOWEN

TAX TIP

Don't sidestep your side hustle

The "side hustle" is the big thing at the moment and the ATO has noticed it, recently reminding Australians it is paying close attention to undeclared income from secondary work, including from the sharing or gig economy.

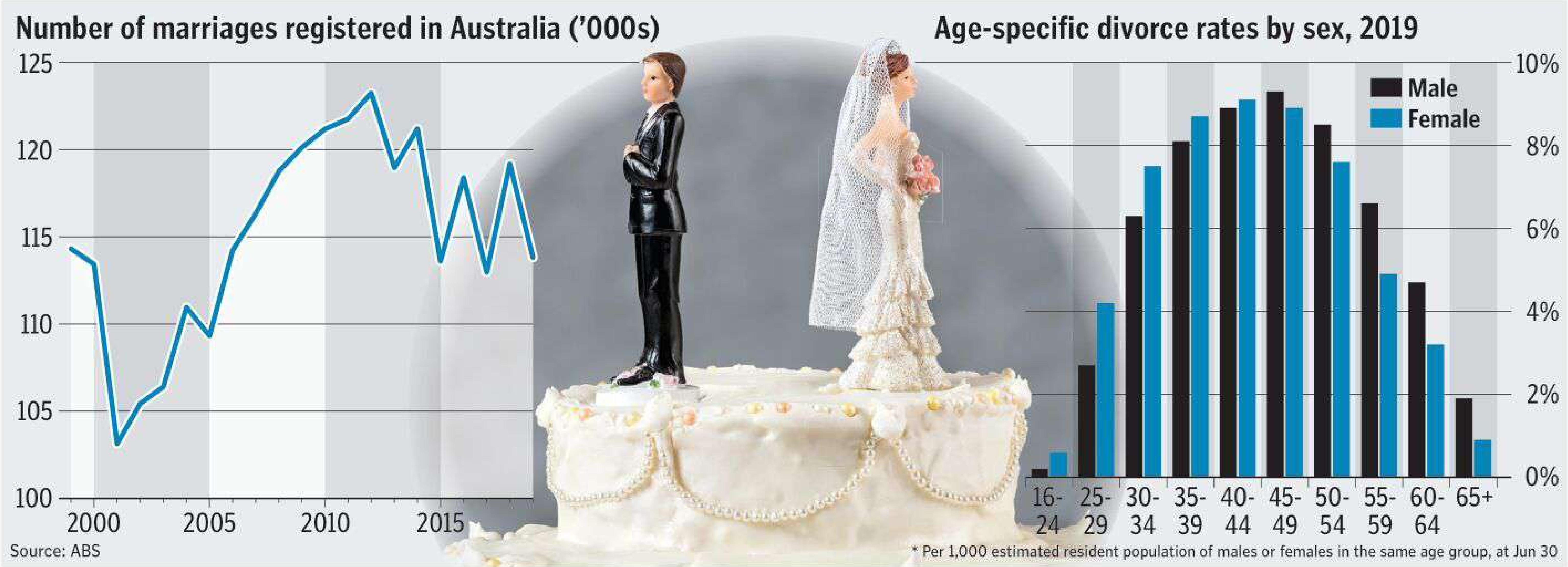
If you're running a business, all the income you earn from it will be taxable. So, every sale you make will count towards your taxable turnover and will need to be declared on your income tax return. If you get paid in cash, don't forget to declare it. The ATO traps many businesses that – deliberately or otherwise – don't record cash sales.

In addition, if your turnover exceeds $75,000 – or even if it looks like it might in the near future – you'll need to register for GST. This 10% tax is added on to all your taxable sales and then needs to be paid to the ATO every quarter. You can offset the GST you pay on your purchases and expenses against the GST you owe; only the net figure is paid to the tax office.

Keeping track of your income is essential, so that means you need to keep good records. There are lots of accounting software packages that will help you keep on top of your figures, but if you're not a numbers person and want to focus on running your business, consider getting a professional bookkeeper to do the job. Sure, it's an extra cost but it's one less stressful task to worry about.

MARK CHAPMAN, DIRECTOR OF TAX COMMUNICATIONS AT H&R BLOCK. MCHAPMAN@HRBLOCK.COM.AU

SNAPSHOT For richer or poorer



Source: ABS

* Per 1,000 estimated resident population of males or females in the same age group, at Jun 30

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▶ MORE MONEY STORIES ON P42-53

INNOVATION

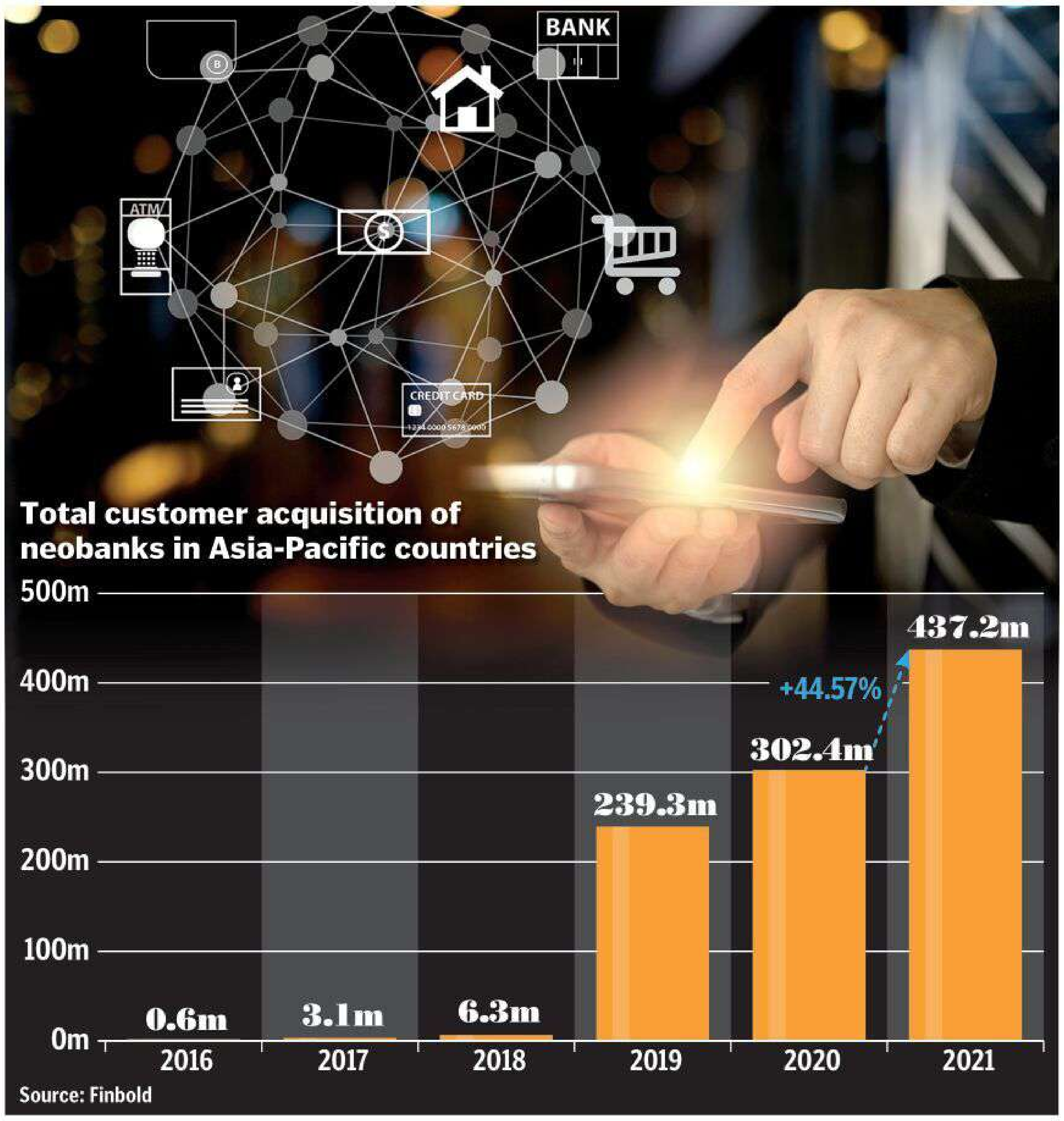
Neobanks charge ahead

Demand for online banking is surging in the Asia-Pacific countries (APAC). According to analysis by the news site Finbold, neobanks in APAC signed up more than 130 million new customers in 2021, representing growth from the previous year of 113.62%.

This dovetails with a surge in the number of neobanks, with 68 platforms coming online in the first half of 2021. Australia accounted for 13 of the region's new platforms, outdone only by India with 14.

The growth in neobanks has put pressure on traditional bricks-and-mortar banks. As well, "traditional banks are still facing challenges like an outdated legacy of technology architecture," says the report.

"Typically, when new technologies evolve, they are established on top of a bank's existing infrastructure, complicating it. Consequently, to keep a grip on the customer base, most traditional players are coming up with innovative technologies to tackle the threat from neobanks."



Source: Finbold

* * *

We can do it ourselves, thanks

Most Aussies trust prefer a do-it-yourself approach when it comes to financial management.

The Financial Planning Association's (FPA) annual Money & Life Tracker, which surveyed 2000 Aussies, found that 88% trust only themselves or their spouse/partner with their financial accountability. More than a third believe they did not need advice, while another 15% said they couldn't afford it. Of those surveyed, only 12% indicated they are using a financial adviser.

The research was released to coincide with the 21st Financial Planning Week (October 4-9).

"Our research findings from 2020 showed those who had a financial planner by their side were able to cope more confidently than those who didn't," says FPA chief executive Dante De Gori. "In light of this, we encourage as many Australians as possible to take stock of their circumstances and explore how a qualified financial planner could help them."

The research also found that 11% of Aussies were in a much stronger financial position compared with last year, and 26% said they had made some changes to their financial situation, with 44.7% vowing to be more frugal about lifestyle choices.

COMPILED BY DAVID THORNTON

PROPERTY

DIVERSIFICATION

Wealth relies on bricks and mortar

Aussies have never had so much wealth, but it comes with a lot of debt, according to the latest household data from the Australian Bureau of Statistics.

Net household worth rose to a fresh high of $13.43 trillion in the second quarter of 2021, and wealth per capita rose to a record high of $522,032. Most wealth is tied up in property ($8.94 trillion), leaving households susceptible to interest rate increases.

Around two-thirds of wealth is now held in bricks and mortar, compared with just 9% for direct shareholdings, a proportion that has diminished in recent times as property values have surged, says Russel Chesler, head of investments and capital markets at VanEck.

"The time is well overdue for Australian households to address this imbalance and lower their exposure to the property market and the risk of prices correcting from current record levels when interest rates rise."

Shares provide an obvious alternative to spread your wealth.

"Equities are more accessible than property and offer comparable, if not better, returns over the long term and are not as sensitive to interest rate rises," says Chesler. "Many next-generation investors are gravitating towards exchange traded funds, which spread financial risk across a diversified share portfolio versus investing in one or two companies. ETFs are cost effective and can be easily bought online for little or no cost, unlike the prohibitive costs of buying property."

▶ MORE PROPERTY STORIES ON P60-69

Rate rise forecast within a year

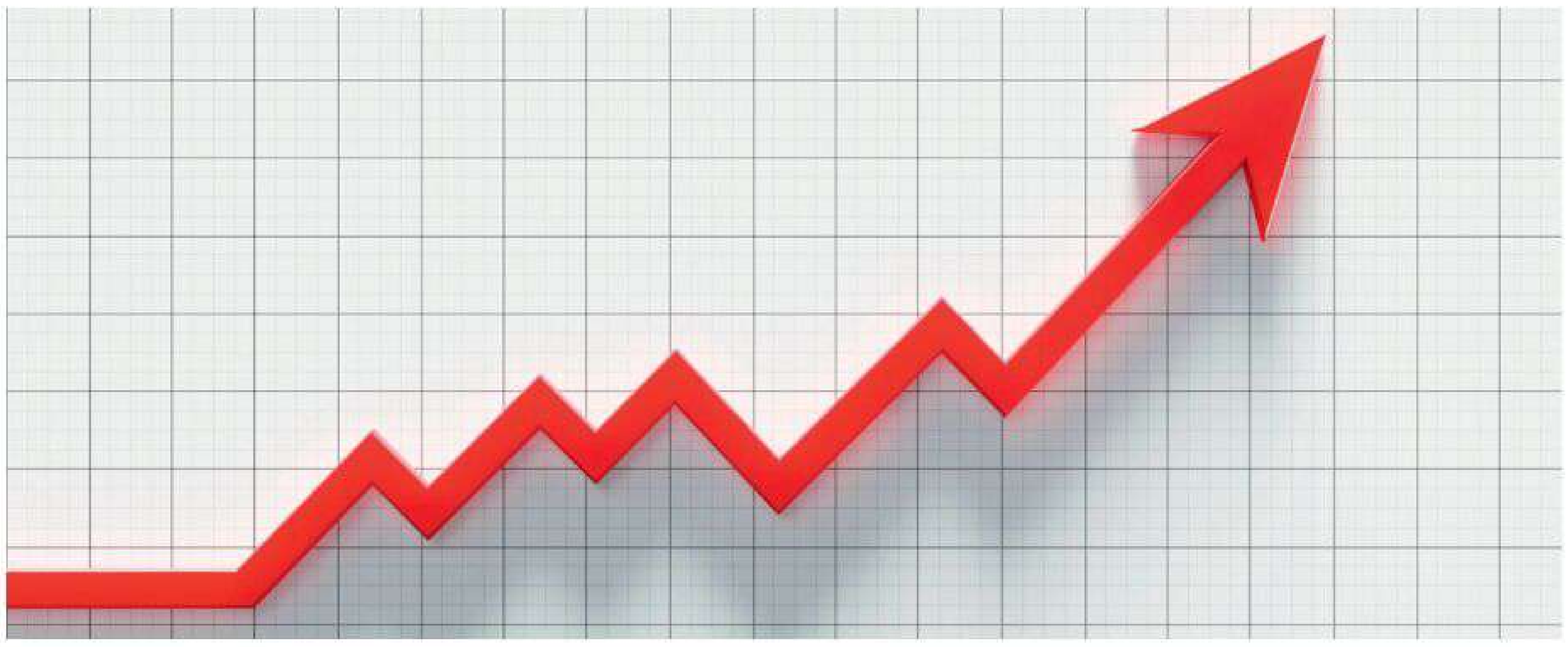
Half of the experts surveyed by Finder expect the big four banks to lift their rates out of cycle within the next 12 months.

"Data from the Reserve Bank shows that banks changed their rates seven times during the last stable period. Four of those changes were rate increases – and they may well do it again," says Graham Cooke, head of consumer research at Finder. "Those who aren't on a fixed mortgage rate should stay alert to any changes from their bank, as it could mean substantially higher monthly repayments."

Over half of experts surveyed (55%) expected the Australian Prudential Regulation Authority to implement lending restrictions to slow growth in property prices (which it did on October 6). Meanwhile, a third of respondents believe that the refinancing boom is hurting the banking sector.

According to the Australian Bureau of Statistics, total refinancing hit another record at $17.9 billion in July 2021, a 47% increase year-on-year.

"While homeowners are eager to make the most of record low interest rates, lenders are aggressively competing for market share with cashback offers up to $4000," says Cooke. "With many refinance offers getting you a better rate and thousands in cash, it's no wonder Aussies are home loan shopping."



COMPILED BY DAVID THORNTON

▶MORE INVESTING STORIES ON P70-75

MARKET CRASHES

Older men more likely to freak out

Men over the age of 45, who consider themselves to have "excellent investment experience", are more likely to "freak out" and panic-sell when the stockmarket tanks, Research by the Massachusetts Institute of Technology (MIT) has found.

The study defined a "panic sale" as a 90% fall in the value of a household account's equity assets over a month, with 50% or more due to trades.

The research was based on analysis of more than 600,000 brokerage accounts.

"Financial advisers have long advised their clients to stay calm and weather any passing financial storm in their portfolio," write report authors Daniel Elkind, Kathryn Kaminski, Andrew Lo and colleagues. "Despite this, a percentage of investors tend to freak out and sell off a large portion of their risky assets."

The research also found that those with less than $20,000 in their portfolio tend to sell assets more often.

"Panic sales are not random events," the researchers say. "Subtle patterns in portfolio history, past market movements and demographic profile can be exploited by deep neural networks to accurately predict if an investor will panic-sell in the near future."

Strong support for sustainable funds

Australians are increasingly enthusiastic about sustainable investing, according to the 2021 Schroders Global Investor Study. It found that 56% would feel positive about moving to a sustainable portfolio for the same level of risk and diversification, while 83% said they would switch to have a positive impact on the world.

By contrast, only 3% of those aged 18-50 felt negative about sustainable portfolios, while 9% said they did not know what a sustainable investment fund was.

When asked what would prompt them to pull out of an investment, 59% nominated a financial or accounting scandal, followed by a human rights issue (56%) and a data privacy break or cyber hack (also 56%).

"A significant number of Australian investors say they are attracted to sustainable funds for a variety of reasons, including the wider environmental impact, because they aligned with societal principles or because they are perceived as likely to offer higher returns," says Ella Reilly, investment director, sustainability, at Schroders.

"The advice community has an important role to play in the shift to sustainable investing. In all, 34% of Australians said they would be most likely to increase their sustainable investments if their financial adviser provided more information on funds aligned with sustainability preferences."

COMPILED BY DAVID THORNTON

SHARES

▶MORE SHARES STORIES ON P76-89

FAIR VALUE

Bargains to be found in energy

Many consider stockmarket valuations to be stretched. But according to the latest Morningstar equity report, there is one sector that remains undervalued: energy.

While the average Brent crude price increased by $US42 a barrel in 2020, the average for the first three quarters of 2021 is over $US67 a barrel, and at the time of writing it exceeds $US76.

"It's hard to fathom what the market is thinking," the report says.

"There is a bizarre disconnect between energy prices and energy stock share prices. The market appears to be taking the current spate of merger proposals as a sign of sector weakness."

The two top picks, according to the report, are Woodside Petroleum (ASX: WPL) and Beach Energy (BPT).

Woodside is trading at a roughly 45% discount to Morningstar's estimated $40 fair value, making the shares "still unwisely under price for growth potential".

Similarly, Beach Energy is trading at a 53% discount to Morningstar's $2.50 fair value estimate. Santos (STO) also gets a mention. It is trading at a 33% discount to Morningstar's $9.70 fair value estimate.

HOLD Wesfarmers (WES)

The Intelligent Investor Gaurav Sodhi

RECOMMENDATION

BUY below $45.00

HOLD up to $70.00

SELL above $70.00

HOLD at $56.38

Source: Intelligent Investor; price as at September 29 2021, close of business

Wesfarmers is Australia's second-largest retailer, with a portfolio of well-known stores including Bunnings, Target, Kmart and Officeworks. It has minimal exposure to the healthcare industry.

API, on the other hand, distributes medicines to some 1450 pharmacies, comprising 607 franchise stores and 843 independents. Wesfarmers has made an offer to buy API, which would become the foundation of a new healthcare division. But now Sigma has entered the race.

This doesn't seem like a natural match – merging these unrelated businesses won't create many cost-cutting opportunities. We suspect Wesfarmers isn't interested in pharmaceutical distribution – a highly regulated, ultra-low margin business – so much as API's potential as a distributor for Wesfarmers' retail outfit. Amazon's purchase of the Whole Foods grocery chain in 2017 had a similar rationale. In the end, it doesn't matter that much. API accounts for about 1% of Wesfarmers' market capitalisation. Bunnings, Wesfarmers' biggest business and one of the best in Australia, is far more important.

The recent results saw revenue increasing by 12% to $16.9 billion for the year, while profits increased by 20%, taking it to 62% of the group total. The increase in the return on capital from 58% to 82% was remarkable. That said, after two strong years, lockdowns mean earnings per share are likely to fall to around $2 in 2022, compared with the $2.14 recently delivered. That puts the stock on a multiple of around 30, which is high for what is largely a retail company. But Bunnings is no ordinary retailer and Wesfarmers is no ordinary company.

GAURAV SODHI IS DEPUTY RESEARCH DIRECTOR AT INTELLIGENT INVESTOR.

COMPILED BY DAVID THORNTON

PHILLIP CASTLETONW

STORY JULIA NEWBOULD

In the company of angels

Danielle Robertson was born at a time when Australian women had to manage their homes, children and entertaining pretty much on their own.

Robertson's mother, Dena Blackman, was very sick after giving birth to Danielle, her third child, in 1966.

Danielle's two older sisters, then aged three and six, helped look after her, and eventually her father contacted Ku-ring-gai Council for help with managing the three children and the house.

The council told him he should have called to book help nine months ago.

Robertson says her mother recovered from her illness but kept thinking "I wish I could have dialled an angel" to help with the new baby, shopping, meals preparation and taking the kids to school. She continued to ruminate over it and talked about it so much that eventually her husband told her to do it herself or shut up.

Danielle's mother wrote her ideas down on a sheet of butcher's paper and with that rudimentary presentation of a business plan she went to see the local bank manager. She had established how the agency would work by finding out what shop assistants were earning, checking wage schedules and interviewing would-be clients. Calculating that she would need $200 to get started, she asked the bank manager for a loan.

He told her he couldn't lend to a woman – either her father or husband would have to guarantee it. Her father was dead and her husband was disinterested, so she rolled up her plan with a pink ribbon and asked him to show it to his wife and see what she thought. The next day he called her and said his wife was refusing to sleep with him unless he loaned her the $200.

Fact file

Danielle Robertson

Former CEO of Dial an Angel, now an aged care navigator. Lives in Sydney. Divorced, re-partnered and mother of two adult children, Zoe and Zack.

She says she sometimes feels like a clown trying to juggle a lot of balls in the air. Hobbies include reading biographies, bushwalking, spending time with family and friends and house-hunting for her children to try and get them into the property market.

“Mum went home and put a long ad in the *North Shore Times* asking for 100 ‘angels’. Basically, she said she was a pharmacist by trade and had no marketing experience. She asked for homemakers, people who had looked after kids or elderly people. Before she had managed to hire the first angel she had 22 clients. That’s how the business started and how it finished. We always had an over-demand and under-supply of good-quality people,” says Robertson.

“We really took our time recruiting people to make sure they were a good fit. Since we were paying above-award wages, we were looking for someone special – an angel. We were clear on values, even back then.”

In 1968, Blackman had her fourth child.

Robertson says she was the only one who said she’d never go into the family business. “I was in that office after school and on holidays and thought it was the most boring thing, sitting at a desk and talking to people.”

Her eldest sister, Nadine, worked in Sydney and eventually transferred to Queensland to run the Brisbane office until she retired 20 years later. Her other sister, Nicki, also briefly worked in the company.

Eventually, Nadine hired Danielle as a casual after she left school. She did cleaning, party help and babysitting. At the same time Danielle was studying hospitality and found she was good at it – she became night manager at a Sydney hotel at 18.

However, after 15 months she decided that, while she had finished her studies and was doing well, she didn’t think it was what she wanted to keep doing.

She decided to quit work and take some time off. Her mother persuaded her to work with her for three months while she considered her future. She stayed for 17 years.

Robertson started working full-time in 1986 and when her mum stepped aside in 2003 to hand over the reins, she told her “only Prince Charles has had a longer apprenticeship than you”.

Change of tune ... a school-aged Robertson reckoned she’d never go into the family business. “I thought it was the most boring thing, sitting at a desk and talking to people.”

“The staff were grateful, they knew it would happen, but I never anticipated going into the business, let alone running it,” says Robertson.

By the time she took over, the company had 10 offices Australia-wide, three of them franchisees (Melbourne, Adelaide and Perth), with 10,000 angels registered on the books.

“We gave so many women jobs, and so many women I’ve met since that time say things like ‘I was a uni student studying nursing, teaching and wanted to be a nanny, and you gave us the opportunity to trial it’. We chose our own hours. Other women I’ve met used our services.”

PHILLIP CASTLETON

A major challenge the business continued to face was recruiting. "From 100 interviews we'd take on 10," says Robertson. "People stayed with us for 20 years as angels – they loved it, the flexibility, popping into the office, the sense of community. But we were always recruiting."

On the other side, the business was constantly being contacted by private equity firms and aged care businesses that wanted to buy it.

In addition, working with family meant different generations had different expectations, says Robertson.

Generally, she and her mother were simpatico and had a strong connection. "Mum could start a sentence and I could finish it – I could follow her thought processes," says Robertson. But when it came to updating the business there were challenges.

"When I first started we had a card-based system. I said we'd need to put in a technology-based system. She didn't want to spend the money, but I knew we had to. I drew out a plan of how I saw the database working and how a booking system could work."

It was the late 1990s and though they tried to find an off-the-shelf solution there wasn't one that fitted their work and so they ended up funding their own program, Angel Base.

"This was the only time Mum and I disagreed. She couldn't see the purpose: why fix what ain't broke?" They also put in a book-keeping and payroll system.

However, it was tolerance, patience and wisdom that Robertson says she really learnt from her mother. "The thing I learned was having good listening skills and empathy and that's what I love now. To hear the stories of families, their hopes, their loves and their wishes."

As Robertson's mum aged, so did the clients, and the disability care arm started growing dramatically.

Around 2010, Robertson says she could see a tsunami of "greys" coming in and realised she'd have a shortage of staff.

"We had to start building home-care providers and staff or pack up and sell, as this would become a problem. We had an executive team to get the business sale ready, but we didn't know what direction that would be. By 2014 I was working around the clock and it was killing me – it killed my marriage. I couldn't do this anymore. I thought, let's put this on the market, there was no third generation coming through."

The business was placed on the market in 2014 and sold to a Melbourne-based care provider with private equity backing. It was later onsold to Zenitas.

After the sale, Robertson had had enough. While she was still contracted to work for the new company, she felt it no longer fit with her values.

So, in 2015, she changed her LinkedIn profile, describing herself as an expert in home care provision. The first client to approach her was a financial adviser who had a client who needed to move from the family home into residential care.

“I was asked to come and speak to the family about the different options. I helped two families find the right home care provider and provided a life plan to another client. I didn’t charge the adviser for five clients!”

Robertson then realised she was undervaluing her worth. She had experience in aged care and disability care and knew home services inside out. She started DR Care Solutions as an aged care navigator, helping people work out the best solutions for themselves or loved ones as they became less able.

“I work with families to work out care, support and accommodation solutions for their aged or disabled loved ones. I meet the family to do a care needs assessment. They might not have any government funding or know what they are entitled to. We try and tailor the care to suit the client care needs and wants and wishes. It’s important, even if there’s dementia, to listen to what they need.”

Generally, Robertson tries to keep the clients at home with good-quality care in place. She has clients around Australia. Before Covid she regularly travelled to Queensland.

“I’ve helped clients in WA, Cairns, Melbourne, Northern Territory, Coffs Harbour. The only thing I can’t do remotely is smell an aged care facility!”

In the past two years she has scaled her business, working with financial services company Mercer to build a do-it-yourself portal for clients to plan their end-of-life care. Built by IBM, the program was launched in April this year.

She has also developed a lead-care concierge package and is training others to do what she does for clients.

“I didn’t know how to scale my business and Mercer has given me an opportunity to run my business on the side. I consult 2 ½ days a week and train up concierges. I’m giving up my intellectual property but I’m being paid and helping more Australians than I could do on my own,” she says. “It’s a wonderful opportunity for me to scale the business without having to scale the business.

“My goal is to help as many Australians as I can to find the right care, support and accommodation for their ageing or disabled loved ones in the quickest possible time. That’s been my big goal.”

Robertson regards her work as hugely important today as she’s seen people floundering through the aged care system. “The system is complex. People don’t want to go into care. It’s essential that we have people like myself to simplify the system and processes to take the stress and pressure out of an already emotional time. To bring care into the home and consider downsizing retirees and a move into residential aged care is a massive decision.”

DR Care Solutions is independent and transparent in the fees it charges. “I work for the family and they pay me. I’ve handpicked around 30 home care providers around Australia and I always introduce around three options to clients. I enable the clients to do as much as possible on their own, but I guide them through the maze.”

However, there are limits to what Robertson will recommend. When it comes to the money side of aged care, she will make sure there is an aged care adviser. “Most referrals come from planners, accountants or lawyers and if they’re not aged care accredited I will align them with someone who is,” she says.

The problems that the aged care sector faces include the lack of nurses, carers and qualified staffers, says Robertson.

“If you’ve got money you have options. Many clients don’t want to access government-funded care if they can afford it – they just want the best outcomes for their family. Sometimes family would prefer to pay fee-for-service and tailor the care they need. For example, they may take 10 hours of care from the government but top it up with 30 self-funded hours.”

Robertson sees the future as coming from the findings of the royal commission into aged care. “Those who can afford to pay will have to pay – from home care to residential home care. If people have a $3 million home and a pension, they will have to sell the home. [The government] will assess everything.’

She also foresees more innovations in the sector. “Traditionally big residential care facilities are huge with more than 100 beds, but I believe we’ll see are smaller homes with 10 to 15 people, so the concentration of care is higher. And there will also be monitoring systems for people to remain at home.”

Meanwhile, Robertson says she will continue to focus on helping clients achieve the right outcome.

“I’ve helped over 300 families in six years, the majority with home care. I’ll definitely stay in this space – it feels very natural for me. It doesn’t feel like work. Every day is different.”

> **People stayed with us for 20 years as angels – they loved it, the flexibility, popping into the office, the sense of community**

Q&A

Denise wants to sell her home but now she can't sleep at night

Capital gains tax may not be as scary as $500k

Q **I find it difficult to sleep at night because I worry about my future tax obligation as regards my family home. With the proceeds of my divorce settlement, I bought a home for me and my two daughters on Sydney's northern beaches in 2005 for $725,000. In 2015 I inherited $350,000 from my mother. My daughters had left home, and I was 64, working full-time and thinking of retiring. This option was not looking very attractive due to the sorry state of my superannuation balance. Consequently, I came up with the brilliant idea of using my inheritance to put a second storey on my house, which I would move into while renting out the bottom floor.**

In 2017, a lovely family moved in. The rental income – which I declare and pay tax on – has given me a wonderful lifestyle that I wouldn't have been able to afford otherwise.

However, I am thinking of selling to move closer to my children. It would appear that I am liable for capital gains tax on the part of my property that has been earning rental income. This is two-thirds of my house, based on square metres. The valuation of my house in June 2017 with its top storey was $1.5 million. Now, because house prices have gone crazy, it is probably worth around $3 million. Does this mean I have to pay 50% of $1.5 million ($750,000) less one-third (the part that wasn't rented) to the tax man as CGT when I sell? This would be $500,000.

Hang on, Denise, I am not so sure the situation is as dire as you are thinking. I'll spare you my standard lecture on how hard it is going broke paying tax on profits. If you are losing sleep at night, the last thing you need is me telling you that making money and paying tax is far better than losing money!

There is a lot of money and potential tax liability in play here, so the first thing I want you to do is to talk to a good tax accountant and get all the facts on the table. Sure, this discussion will cost you hourly fees, which could easily add up, but ensuring the valuation of the house after the work was completed is correct, recognising that you owned the property since 2005, the ratio of rental space to non-rented space and so on are all critical to the final tax liability.

Where I can help you to sleep a little better is that while this indeed will be a CGT issue, CGT has a 50% discount. Without a detailed investigation with a tax adviser, I have no idea if your CGT liability is $1.5 million or not. But whatever the profit is, it would be subject to a 50% discount. Here, of course, your income is important, as is your ability to add to superannuation in the year of the sale and a lot more!

So don't delay, head straight to a good tax accountant to find out more information.

NEED PAUL'S HELP?

Send your questions to:
Ask Paul, *Money* magazine, Level 7, 55 Clarence Street, Sydney NSW 2000 or money@moneymag.com.au.

Sorry, but Paul can't personally answer your questions other than in the Q&A column. By submitting your question to *Money*, you consent to having your question and the response you receive from Paul published in the print and digital edition of *Money*.

Clint owes $19,500 on his car and $7000 on his credit card

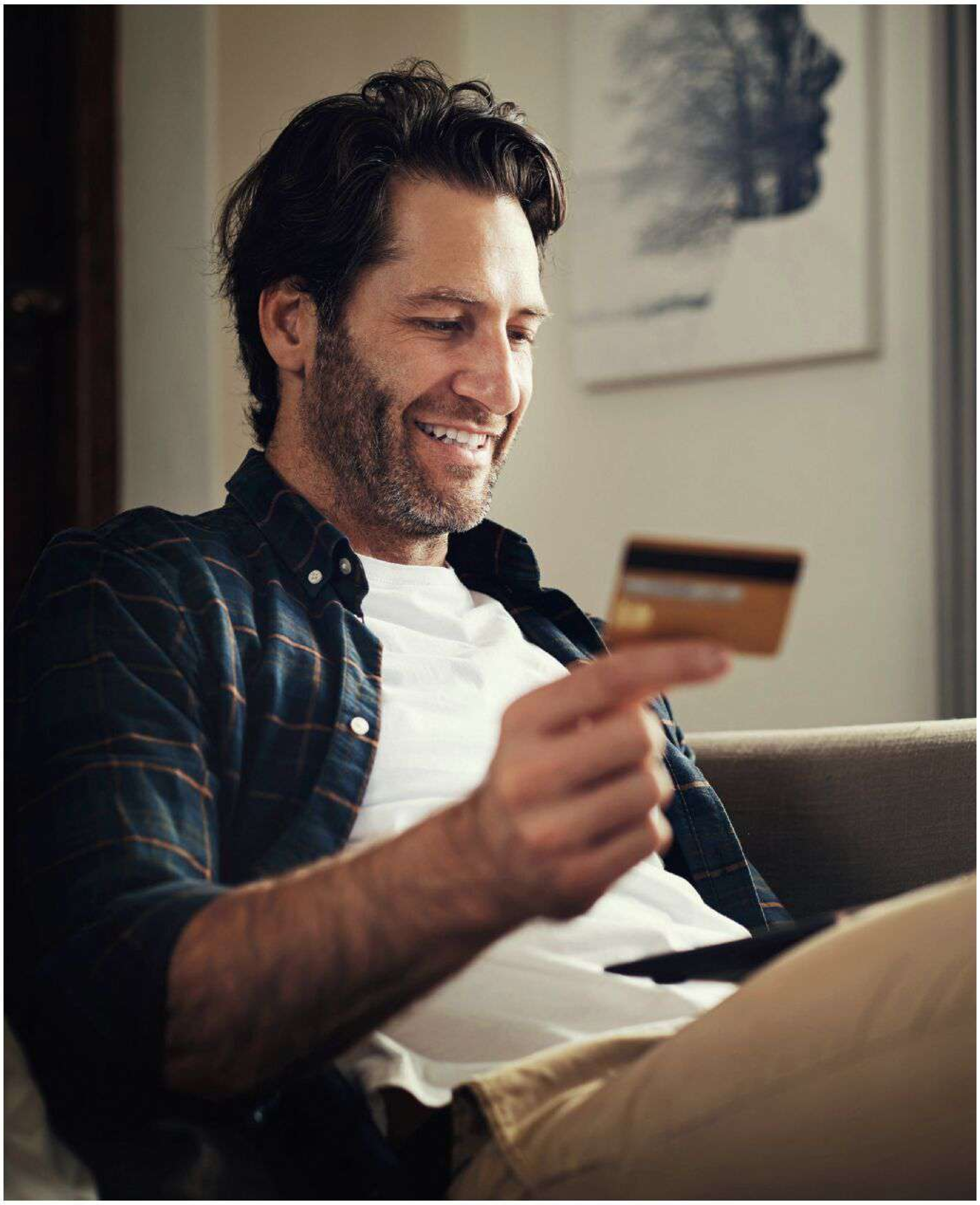
Use those precious savings to pay down the debt

Q I'm restructuring some of my finances to increase the amount I'm saving, so have been considering how I can reduce the interest I'm paying on my car loan. My current payout figure is $19,500. If I let it run the full term to January 2023 I'll pay almost $4000 in interest. I'm considering using a credit card (cash advance) to pay out the car loan, then applying for a new interest-free balance transfer.

My current credit card has an $11,000 limit, and I have been paying it down and have $4000 available, so I'd need to increase its limit to be able to pay out the car. I'd also need to apply for a new credit card with an interest-free balance transfer to pay off the old card.

Is this possible? If I apply for an increase with my current provider and also apply for a credit card with a new provider at the same time, will this show on my credit file? Or is there a delay before my file is updated? Or do you have another suggestion?

I also have $30,000 in savings, which I am very reluctant to touch as in the past I have been a terrible saver, so seeing that amount of money in my account that is growing is very motivating. All going well, I'm hoping to have $45,000 in savings and be debt free by January 2023.



Crikey, Clint, I think you have got the wrong end of the horse here. Can we start again?

We are in complete agreement that paying out the loan and saving $4000 in interest is exactly the right thing to do. I also understand that you are motivated by your pot of savings and don't want to touch them.

But I want you to be far more motivated by the fact that you have built a savings habit and you have solid saving goals. We also need to think about the $7000 on your credit card. I suspect that in this low-interest-rate climate your savings are earning close to zero. Your credit card will be costing you far more than zero.

So, my advice is blunt, but effective. Use your savings to pay off the $7000 on your card, plus use another $19,500 to pay off the car loan. Do make sure you check for any early repayment penalties.

Yep, this will only leave you with some $3000 in savings, but I am hoping this will motivate you further. You won't have car repayments, you won't have credit card interest and repayments, meaning you can save even more.

My view is that by removing unnecessary interest payments and not mucking around with interest-free credit cards, which will still have some cost attached to them, these actions right now, plus committing to your ongoing saving plan, will leave you in an even better position by the end of 2023.

Q&A

Raymond is disappointed with the low return on term deposits

With $750k to invest, look at low-cost managed funds

Q I have kept an eye on you for years, Paul. I am 75 years young, married, with no dependants, and we own our own house. I'm very disappointed with the returns on my term deposit. I feel I should take the plunge into the stockmarket but I have no experience and need some Dutch courage. I am a disaster with tech stuff (I don't even have a computer), but I have more than $750,000 to play with. Over to you, Paul … stay safe.

I hope, Raymond, that I have stood up to your "close eye" over the years. I guess I must have done as you are kind enough to ask me for my opinion, something I do value and appreciate.

The returns on term deposits really are tragic. We all understand why: money is cheap right now. You have had years of experience following markets, nearly a decade more than I have. So, like me, you will remember back to the early 1990s when a term deposit was paying 16%. The bad news for those, like me, with a mortgage back then was than mortgage interest rates were over 18%!

As a debt-free homeowner, with surplus investable cash of over $750,000, you certainly should consider taking on more risk for better returns. Here we could have a long discussion about risk. For me to give you more than information and an opinion, I'd need to know a lot more about your total assets, income needs, age pension (if any) and a host of other details. This is a large amount and I would strongly suggest you talk to a fee-charging, professional adviser.

But what I can say is that at 66 and debt free, my wife and I hold our investable assets in a broadly balanced portfolio of shares, infrastructure, fixed interest and, yes, we do hold some "rainy day" money in term deposits.

What I would like you to discuss with an adviser is something similar. If you are keen to "DIY", a way to get broad market exposure at very low cost is to chat to a couple of large, reputable and low-cost managers such as BlackRock or Vanguard. Like most professional managers, they have broadly diversified funds. Another way to get broad sharemarket exposure at a low cost is through one of the large listed funds such as Argo or AFI.

I'd certainly prefer to see you with a great manager offering diversification to better protect your money.

Janine took Paul's advice and has been saving regularly for years

$30k each for three sons: a great effort!

Q I am the mother of three boys aged 13, 16 and 20. Back in 2001 when my first son was born, I read *Money* magazine and I took your advice and invested in a managed fund with Colonial First State. I made regular investments of $100 to $200 a month, plus a bit extra here and there, and now I have close to $50,000 in total for my boys.

I also took some more of your advice about compound interest and invested their birthday and Christmas gift money, plus whatever extra I could afford, into term deposits to make a sum of $30,000 for each boy. This worked out well. However, over the past few years the bank interest has been on a rapid decline and is not showing any signs of a quick recovery.

I recently withdrew their money from the term deposits as interest rates are so low. How should I now invest it?

You have made my day, Janine. As we celebrate the 250th issue of *Money* magazine, I strongly remember the "reader offer" we came up with where managers such as Colonial waived their entry fees to give our readers a better start to their investment.

As you can imagine, I am just delighted to hear that your regular, small amounts have turned into $50,000. This is a real example of why I am always banging on about regular investment and compound returns.

Sadly, though, you are correct: term deposits are not doing much for your boys, though you have done brilliantly to have $30,000 for each of them. My suggestion would be similar to the one I made back in 2001 and what I am now doing for our grandchildren. Choose a good, low-cost fund with a growth-type portfolio and let time, regular investment and compound returns do the heavy lifting for your boys.

An exchange traded fund could do the job. One of the managers I suggested to Raymond (see above) such as Vanguard or BlackRock, or one of the large listed investment companies that hold a broad portfolio of shares such as Argo and AFI, would also be worth a look.

Kim is getting divorced and can't afford the property she'd really like

Buy an apartment instead and rent a house to live in

Q I'm a 50-year-old woman just divorcing from my husband of 30 years. We are selling our family home in Sydney. We have two children, 17 and 19, at school and university. The children will live with me as their father is moving to a different state. I can't afford to buy a three-bedroom home near the school.

I work full-time and earn $107,000 before tax and will have about $500,000 in cash. I will also receive minimal child support. I am thinking of either buying a two-bedroom unit for about $800,000 as an investment now, with the aim to move into in five years when the kids have moved out, and rent a three-bedroom for about $750 a week in the meantime.

Alternatively, I could buy two investment properties in Adelaide or regional Australia, either outright or with small mortgages to offset costs. Or possibly one unit in Sydney for $800,000 and a cheap one elsewhere. Or I could even put some in shares or bonds. What would the best option be for me? I am very confused.

You are not alone when it comes to being confused by big money decisions like these, Kim. In fact, you are in the majority, in particular in the middle of changing circumstances.

I can only give you some general information in a brief answer like this, but I am confident to say a couple of things. First, you are right to focus on owning a property that is there for your future. Second, I would agree with owning a property that you think you will live in. It sounds like your future for the next five years at least is Sydney. Are your family, relatives and friends in Sydney or Adelaide? This one is very hard to predict, but as your kids will study in Sydney, do you think they will end up here or Adelaide?

Adelaide is a city I like a lot, and if you think it is your future, buying there makes sense. Things are quite different now, with regional areas doing well due to Covid, but historically property does best in our big cities with job growth, public transport, hospitals, entertainment and so on. I am not so concerned about shares and bonds right now. You plan to keep working and your super will help you build wealth in these areas.

So, I'd keep it as simple as you can. If your life is in Sydney for some time, possibly forever, history says that buying a well-located apartment in this growing city will prove to be a good move. Equally, it is so much easier to buy and own a property near where you live. If Adelaide is your future, I have no problem with you buying there.

So, your first suggestion of buying an apartment in Sydney and renting a home for a few years makes a lot of sense to me.

Destination Take to the US streets

REGAL
Chevys
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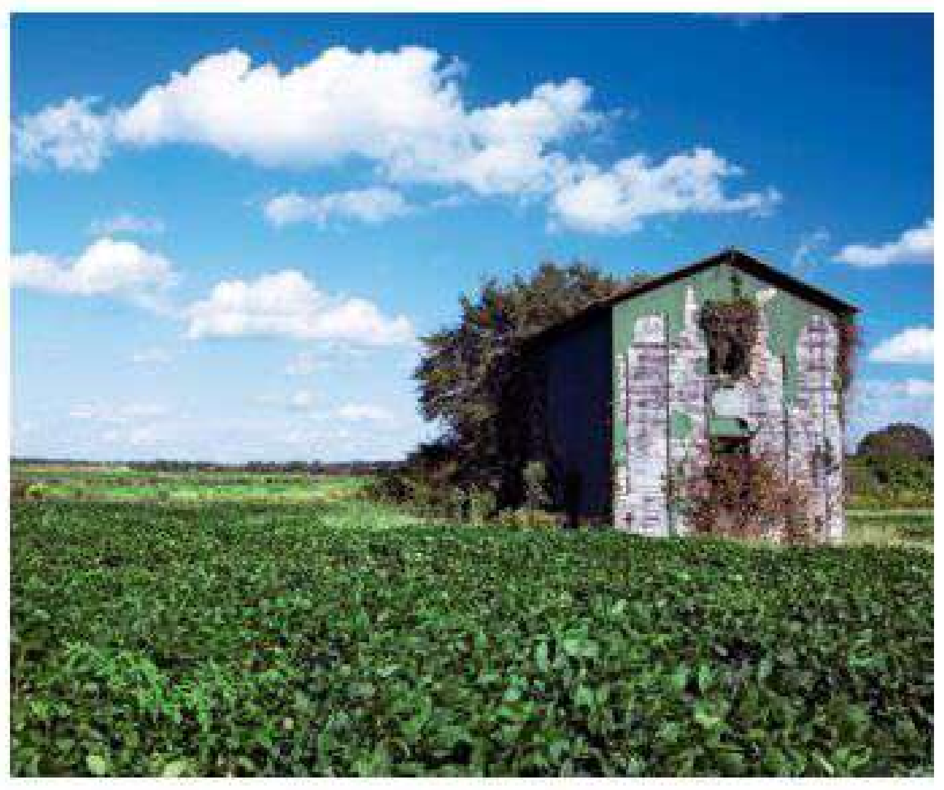
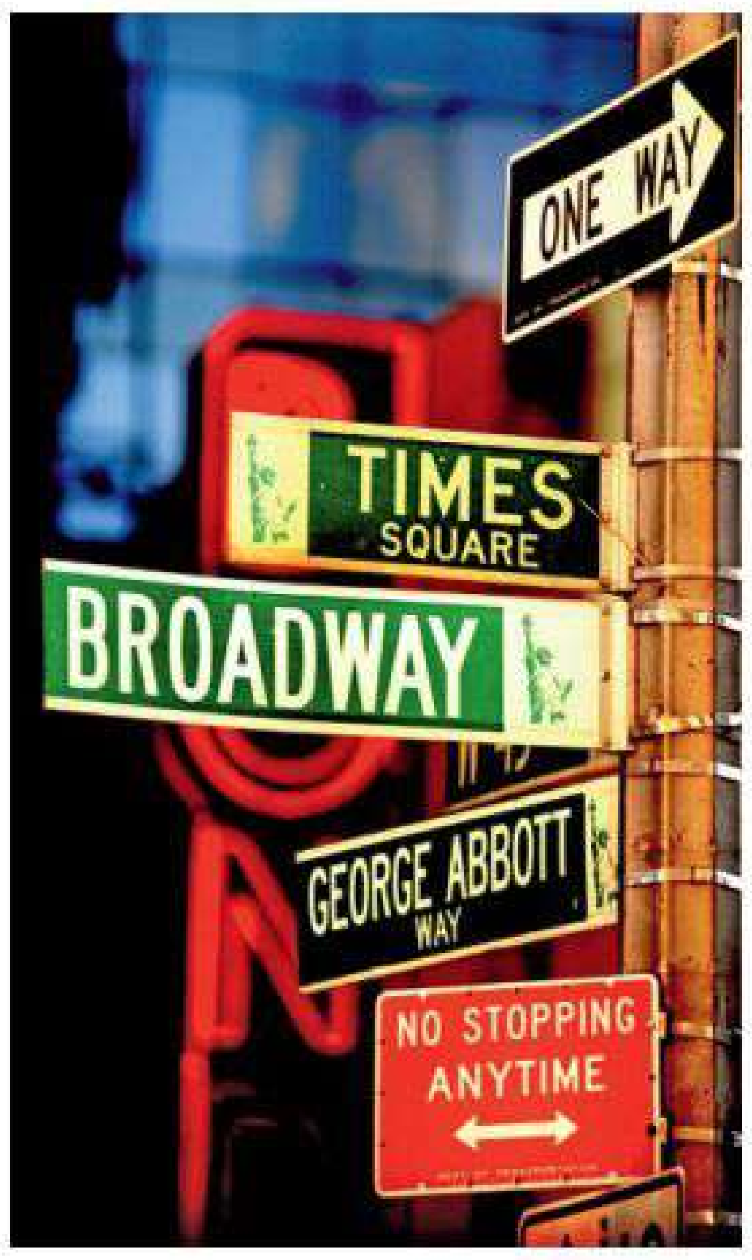
MODELL'S
amc 25 THEATRES

ROUTE 66
ROUTE 66

Music legends … clockwise from above, night life on busy 42nd street near Eighth Avenue in Manhattan, New York City, famous street signs in New York City, a tobacco barn in North Carolina, Route 66 in California's Mojave Desert.





Seven things to do

1. 42nd Street When you are on 42nd Street, you know you are in Tin Pan Alley and the heart of New York's Theatre District. It became the title song of a 1933 backstage musical film, sung by Ruby Keeler and Dick Powell. In 1980 a long-running Broadway musical immortalised it. "Come and meet those dancing feet on the avenue I'm taking you to – 42nd Street."

2. Route 66 "Get your kicks on Route 66, it winds from Chicago to LA, more than 2000 miles all the way." Those words have been sung to us by Bing Crosby and the Andrews Sisters, Nat King Cole, Chuck Berry, Ray Charles, the Rolling Stones, Manhattan Transfer and John Meyer, among many hundreds of others.

3. Copperhead Road The song is an FM radio staple by Steve Earle. Located near Mountain City, Tennessee, Copperhead Road has been renamed Copperhead Hollow Rd due to the theft of road signs bearing the song's name.

4. Broadway They say the neon lights are bright on Broadway, sang the Drifters in 1963. "There's always magic in the air." It dissects 42nd Street, so that's very likely the case. It was so when George Benson, Bette Midler, Neil Young, Eric Carmen and James Taylor sang it years later. There's a Broadway in Nashville and Sydney as well, but it's the Big Apple one that people head for.

5. Union Avenue When the young Elvis Presley drove a truck for the Crown Electric Company in Memphis, he would sit outside 706 Union Avenue trying to build up enough courage to go inside. When he did enter Sun Studios, it was to eventually record *That's Alright Mama*, a fusion of black rhythm and white country that would change music forever.

6. Tobacco Road This refers to the tobacco-producing area of North Carolina. Today, the stretch of Interstate 40 that runs through that area is known as Tobacco Road. Truly timeless, whether it comes to us from Lou Rawls, John D. Loudermilk, Nashville Teens or Eric Burdon & War.

7. Seven Bridges Road Steve Young wrote this ode to Woodley Road, a rural road that runs south from the Cloverdale neighbourhood of Montgomery, Alabama. Before the release of *Hotel California*, the Eagles would warm up pre-concert by singing it in the locker room shower area and then open each show with the group's five members singing a cappella into a single microphone.

GLENN A BAKER IS A MUSIC HISTORIAN AND AWARD-WINNING TRAVEL WRITER.

DRIVING PASSION

Scammers go into overdrive

Whether you're buying or selling a car, stay safe with these handy hints.

If you're using a vehicle classifieds site like Carsales, communicate with buyers and sellers only through the website's messaging function.

Another tip is to avoid providing any personal details that could be used for identity theft – so don't supply your licence details. And don't release either the car or a "refund" into the hands of the buyer until you've seen the full payment in your account.

The Australian Competition and Consumer Commission (ACCC) reported in April that, over the year to date, scammers had ripped off unsuspecting buyers to the tune of $288,000.

A common con is a false listing and an asking price that's below the market value. According to the ACCC, this type of scammer often claims to be a fly-in, fly-out worker or a member of the Australian Defence Force due to go overseas in the next few days. The scammer claims to be in a rush to sell, declines requests for inspections and refuses to speak to buyers on the phone.

The remote location excuse also works in scams aimed at sellers. A scammer tells the owner they will transfer payment to the owner's bank or PayPal account. They then email the owner a fake receipt for more than the asking price, and demand the owner refund the overpayment.

Scams can be more than just money transfer, however. Buyers have been stuck with cars that have been reborn or written off interstate, so be aware, too, of what you might be buying if you don't do your due diligence. And that includes checking for any financial encumbrance on the car you're buying. You can do this by visiting revs.com.au and entering the vehicle registration number or VIN.

These are some of the tricks a scammer will use:

- won't meet with you in person or speak with you on the phone – it's all email or SMS
- claims to be located remotely and unable to inspect your car in person but still wants to buy it
- will only engage with you through a third party
- won't negotiate with you and may even offer to pay more than the asking price
- will "overpay" into your account and issue a fake receipt for a "refund" from you
- will threaten you with legal action to scare you.

In addition to notifying the website of a possible scam, you should also report it to the ACCC at scamwatch.gov.au or on 1300 302 502.

CARSALES.COM.AU

EXTRAVAGANCE

Front row seat

The beach is beckoning and that means only one thing, lounging – safely – in the sunshine. The Sunflow chair comes equipped with a foldaway sunshade that protects skin from 98% of the sun's rays, a collapsible drink holder, and a dry bag to keep belongings sand free. Bliss.

How much: $374

Where from: au.getsunflow.com/products/the-beach-bundle-australia

WINE SPOTLIGHT

2018 D'Arenberg D'Arry's Original Grenache Shiraz $21

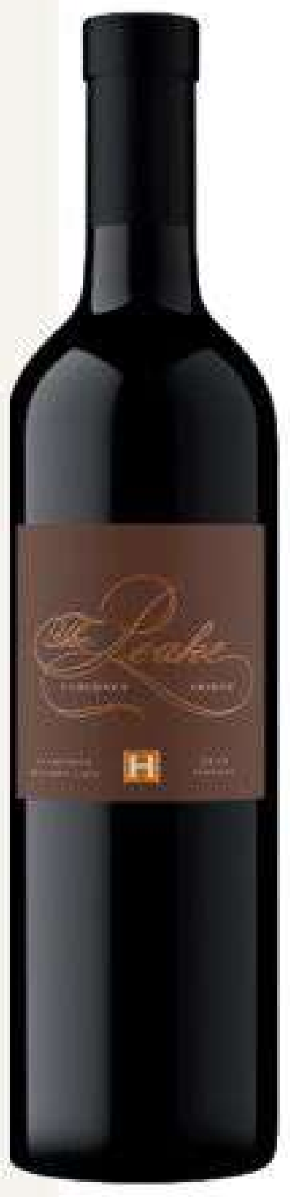
D'ARRY'S ORIGINAL

This is D'Arenberg's most important quaffer, celebrating the patriarch and a style he has made famous. In 2018, there's lively redcurrant, blackberry and dark cherry characters on the nose and palate; it is wonderfully supple yet with lively tannins to keep it honest. The 'Original' has substance and full flavour. Perfect match for a robust stew.

. . . .

SPLURGE

2019 Hickinbotham 'The Peake' Cabernet Shiraz $175



This is simply splendid. Sourced from 50-year-old vines on the high slopes of Clarendon in the McLaren Vale, it marks the epitome of the great Australian red blend. Satiny smooth yet with grunt, ultra-concentrated and showing power with finesse. Packed with blackcurrant, bramble and briary flavours and layered with classy oak, it will benefit from cellaring yet will bring pleasure young. PETER FORRESTAL

SMART TECH

Teenage iPhone opts for subtlety

If the iPhone were a human, it would be a teenager by now. The device, destined to become the first smartphone regular people cared about (not counting early-noughties BlackBerry users), saw the light of day in 2007 – if you can believe it – and is now well into its second decade.

Why point this out? Well, to frame expectations. Once upon a time, in the iPhone's early life, each year brought massive, transformational change: an app store, a video camera, a high-res display, a virtual assistant, fingerprint scanning, portrait photography, digital payments, face identification … the list goes on.

Given what had gone before (that is, rudimentary mobile phone features), each one of these evolutions was basically a revolution. But the rapid pace of innovation can only last so long. In more recent years, given how mature the platform already was, the refinements have become much more subtle and incremental.

Each successive refresh seems a bit more familiar than the last, especially when rivals (read: Android) often get there first. But, hey, it's still Australia's highest-selling smartphone, and nobody said being a teenager was easy.

PETER DOCKRILL

What is it? iPhone XR
How much? Around $599
Pros: Wait, isn't this column about the newest iPhones? Yes, but it wouldn't be *Money* if we didn't steer you to some economical detours. You can still find the cheaper XR model at some retailers, and it's an affordable alternative if you don't mind a 2018-ish handset.
Cons: Older features, but a decent option at a fraction of the price of new iPhones. Also consider the newly discounted iPhone 12, plus the budget-centric iPhone SE.
apple.com/au

What is it? iPhone 13
How much? From $1199
Pros: Design-wise, the latest default iPhone largely resembles last year's redesigned model – albeit with a slightly smaller camera notch! – but inside you get a faster, more powerful A15 Bionic processor, a cavalcade of revamped camera features, larger entry-level storage, an improved display and longer-lasting battery life.
Cons: That "from" price is actually the "mini" (5.4in) version. The regular-size 6.1in edition starts at $1349 for 128GB, extending to an ouchy $1869 for 512GB.
apple.com/au

What is it? iPhone 13 Pro
How much? From $1699
Pros: As in previous years, Apple reserves its premium touches for its most expensive gear. Here, the 6.1in Pro (and 6.7in Pro Max) utilise the same A15 chip as the iPhone 13, but build upon it with a faster-refreshing, more responsive ProMotion display and significantly upgraded camera optics (enabling macro photography, among oodles of other tricks).
Cons: None, apart from eye-watering cost, with the Pro Max breaking the $2500 threshold in its Max-iest (1TB) configuration.
apple.com/au

GIVE IT UP

K-Mart Wishing Tree Appeal

What is it?
K-Mart and the Salvation Army have worked together since 1987 to collect and distribute donations each Christmas. The appeal encourages shoppers to donate gifts or cash to people who are doing it tough in the holiday season. It has delivered relief to more than 8 million vulnerable Australians over 30 years, distributing around 400,000 gifts and $300,000 in cash each year.

The Salvos have reported a 29% increase in the number of people seeking emergency assistance this year. Recognising that donors might not be able to contribute in their usual manner, the theme of this year's appeal is "small gift, big heart".

Where your money goes:
Cash and goods donated at more than 100 K-Mart stores are distributed by the Salvation Army to people in need.

How to donate:
Shoppers buy an item and place it under a tree at the front of the store. Donations don't have to be bought at K-Mart, but they do need to be new and unwrapped. You can also contribute at in-store checkouts, by scanning QR codes at K-Mart or by visiting kmart.com.au/kmartwishingtree. The appeal starts on November 8 and concludes on December 24. SHARYN MCCOWEN

WEBFIND

SUPER-REWARDS

Chrome and safari browser extension

Super-Rewards browser extension alerts you when you could earn a retirement bonus from your online shopping. Sign up for a Super-Rewards account and download the extension to earn a cash reward that will go straight into your super fund when you shop. The company has partnered with more than 400 retailers. SHARYN MCCOWEN

CASE STUDY

Earl and Emz

Recent arrivals are keen to build savings

I started reading *Money* magazine a few months ago and ever since then I've been excited to read your section, as I find it very insightful and handy, especially for people like us who are striving hard to build ourselves in this country.

My partner and I, aged 42 and 37, migrated to Sydney five years ago with zero savings; currently, we only have $90,000 sitting in our bank account and our super is $90,000 combined. We earn $220,000 combined before tax while our annual expenses are $60,000. We want to prepare for our retirement in the next 10 to 15 years.

What strategy do you recommend for us to be able to build our retirement plan? We really wanted to seek your advice on how we can establish ourselves in Australia considering our age and the only savings we have right now. ***Earl (and Emz)***

Paul's verdict: Aim to have a paid-off home by retirement

With surplus income, top up super and start investing in shares

I was delighted to get your email, Earl and Emz. So many of us came to this terrific country from somewhere else. In my case it was from the UK, a very long time ago. My dad, mum, sister and I arrived in 1963 when I was eight.

My parents felt that our family would have a better life in Australia. My dad was a doctor and quite a number of his English friends were practising in Griffith, in NSW. I really enjoyed growing up there, doing things that were not so easy to do where we lived in England, such as golf, sailing and water skiing. The ability to ride my bike to school and mucking around on friends' farms made it a really good childhood.

Australia has been wonderful for me and my family. I really hope it is the same experience for you.

We'd better get onto your money. First, a big congratulations for having achieved so much in just five years. Accumulating $180,000 in super and savings is a great effort, given you arrived with no savings and had the costs of getting settled. Second, you have an excellent combined income and, finally, you have your expenses well under control.

It depends on each individual salary, but for this exercise, I'll assume they are roughly equal, and you are paying about $50,000 in tax, leaving you with $170,000. Of this, you are spending $60,000, so saving $110,000 a year. This really is the key number. When it comes to creating wealth, it is not what you spend, it is what you earn.

As you are paying about 34.5% tax on your income above $45,000, super makes a huge amount of sense. Here you only pay 15% tax on money that is salary sacrificed into super, up to the maximum contribution of $27,500pa each.

However, before we look at the impact of making maximum super contributions, the biggest issue is that you really do need to fully own a property to live in before you retire. This can be a house or an apartment; I am relaxed about either choice. That is totally up to you and the lifestyle you prefer. An apartment has many advantages in terms of a lower purchase price and may well give you better proximity to the facilities you like, public transport, restaurants, entertainment and so on. Or you may prefer a house. But either way, I believe owning a fully paid-off property at retirement is a key goal.

So, you may want to maximise your home deposit for a short time. With our strange tax system, which penalises homeowners over investors by making your investment property mortgage interest and running costs tax deductible, I have no problem if you buy a place as an investment and rent it out until you want to live there. Or you may prefer to just buy a property as a home today. But I would like you to look at both these options and at the numbers. Your accountants can certainly help here

So, step one is a plan to buy a property that will be your home now or at a point in the future.

Step two is maximising super. Let's look at the position this would put you in down the track. You already have 10% going into super in compulsory contributions. Let's top that up to the maximum $27,500 each. In 15 years, based on a conservative estimate of 6%pa, you would have some $460,000 in super.

If you worked for 20 years this could be $674,000. But with your savings capacity of $110,000, the $55,000 that would be going into super is only about half of your surplus income. The balance of your savings could be used to pay of a mortgage or to build other investment assets outside super.

Your money journey over the next 15 years or so will evolve. But with your savings capacity, you could build substantial wealth before you are both 60. My broad view is that you should:

- Build a deposit and secure a property that will either be your home now or in the future
- Once you have secured a property, top up super to the maximum allowable, while ensuring you are in a low-fee, large, well-diversified, top-performing super fund.
- At this stage, you review your position, look at your surplus income and decide whether to reduce your mortgage, invest in assets such as shares or consider a second investment property.

Thanks again for getting in touch and I am delighted you are enjoying *Money* magazine. Along with all the team, I would like to wish you all the best for your future in this great country.

Ask your question

If you have a question, email money@moneymag.com.au or write to Level 7, 55 Clarence Street, Sydney NSW 2000. Questions need to be 150 words or less and you must be willing to be photographed.
Readers who appear on this page will receive a six-month subscription.

ASK THE EXPERTS
WHERE TO INVEST $10K

In a challenging year, one silver lining is that many of us have been able to stash away some extra cash. Here are eight ways to make the most of it.

EXPERT PICKS

PAUL CLITHEROE • SHANE OLIVER • GLEN HARE • JESS AMIR • MARSHALL BRENTNALL • KATE CAMPBELL • DANIELLE ECUYER • SIMON PRESSLEY

OVERVIEW JULIA NEWBOULD

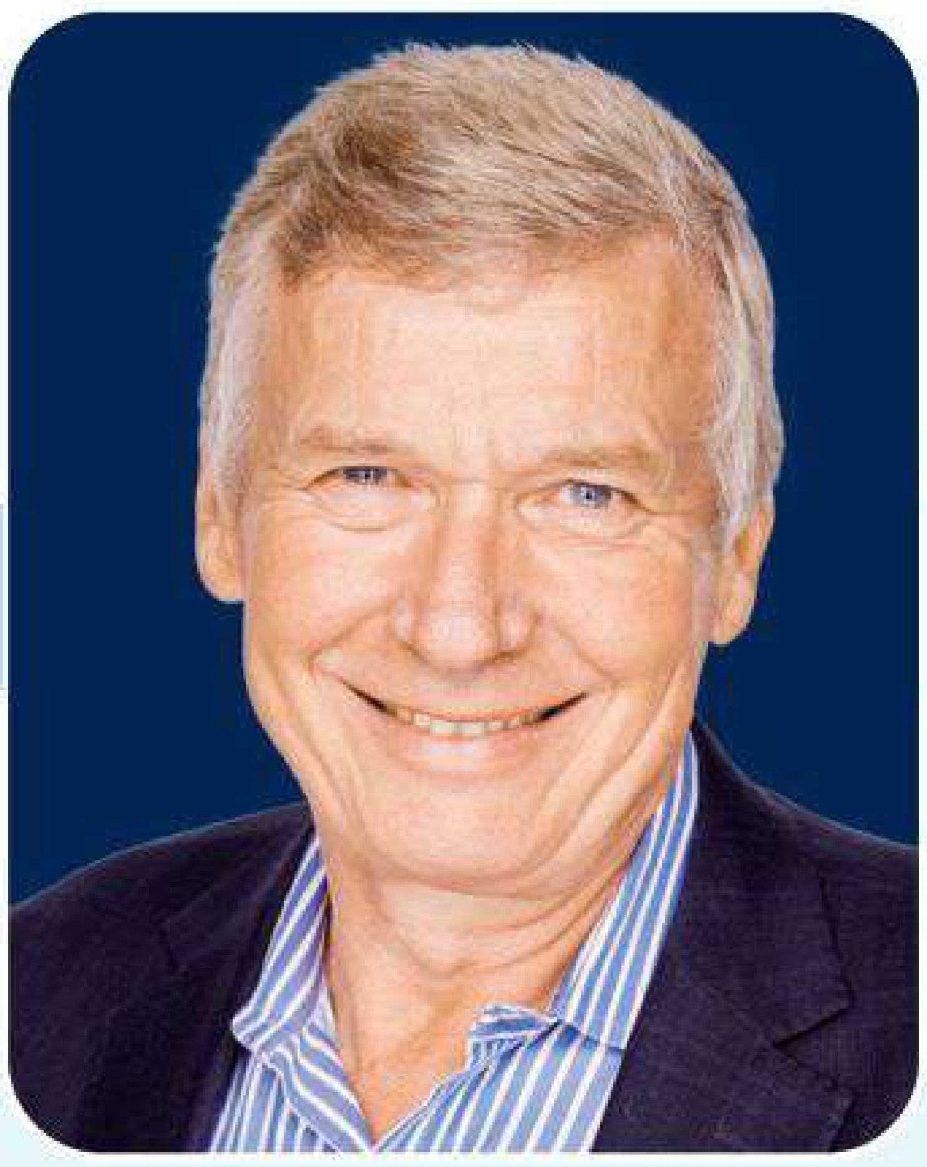
For many of us, 2021 was expected to be our year out of Covid. Businesses were reopening, travel around most of the country was back on the cards, restaurants were at full capacity and theatres, too. But then the dreaded Delta emerged. Small businesses were once again challenged. Some had managed to limp through to 2021 but were now forced into permanent closure as government assistance dried up. And those people who were working in tourism, hospitality and entertainment again bore the brunt of restrictions.

Despite this, our property markets went nuts. Regional properties evened up some of the pricing with their urban counterparts and there seemed to be no end to the market's increasing heat. The ASX recovered beyond its pre-2020 state and until Evergrande and events in the US gave us the wobbles again in late September we were having a good run.

Last year we concentrated on building up savings again and carefully easing ourselves out of a tough year. This year our experts have thought a little more broadly about the aftermath of Covid. Paul Clitheroe focuses on the money we have saved and how to use it so it passes the sleep-at-night test. Shane Oliver recognises risk will be with us for some time but suggests embracing it with a diverse portfolio. Glen Hare looks at how millennials spend money but says even with a change in priorities to older generations they can still achieve the great Australian dream of property ownership. Jess Amir provides the well-considered list of investments she would put her $10K towards, and Danielle Ecuyer gives tips on where she'd put money on international shares. Meanwhile, Marshall Brentnall discusses why boring can be best when it comes to reaching your goals - and also gives a good example of the benefits of investing in super.

Sustainability has also emerged as a strong trend with global moves towards lower carbon emissions affecting the value of our investments for the future. Kate Campbell, our FIRE (financially independent, retire early) representative, hopes for a better future for our finances and the environment, and supports companies that make the world a better place.

And when it comes to property, Simon Pressley urges us to look beyond the city limits and take a closer look at what is happening in urban centres.



PAUL CLITHEROE ***Money*'s founder and editorial adviser**

Uncertainties abound, but get ready for a lifestyle spending splurge

It's pretty much an accident, but a year after I was writing about the new world dominated by Covid, things have eventually panned out to be okay, with money at least. A year ago, the sharemarket was climbing back from its March 2020 All Ordinaries Index low of a bit under 5000. Governments globally were pumping out money and to little surprise the market had ridden up to 6000. Now it's getting close to 8000 and investors in shares have enjoyed governments shovelling money to people and businesses while interest rates are at record lows.

Cheap money – and lots of it – looked like a nice time for markets and, sure enough, it has been 12 months of very handsome returns for shareholders and some nice dividend payments.

Obviously, it has been a shocker for those relying on interest from term deposits and bank accounts. The good thing about these investments in our banking systems is that they are safe and secure. I've always advocated having safe money at the bank to cover our spending in market downturns and other nasty periods of history. For a younger person, in a secure job, this might be a small amount. For part-timers like me, in my mid-60s, I like the idea of having a couple of years of spending money at the bank. I don't want to sell assets at discount prices in a market bust to cover lifestyle costs. As I move to full retirement, if ever, I'd hold closer to three years of lifestyle spending.

Where I have been surprised is the boom in most property markets. Cheap money is clearly great for property. I shook my head when I saw a 1.5% mortgage advertisement this week. But last year I worried that job losses and small business failure could balance things out, so my view was to absolutely buy for the long term.

Population growth will do a lot to move prices upwards, but my view was a stable market. Wrong. It has been quite extraordinary. The more predictable part was growth in regional values. This, I think, will continue as people work from home. Personally, I think we will be back working in our big cities, but most likely not five days a week. So, the regions with lower costs and great lifestyle look very attractive.

So, significant government support for jobs and the economy, plus very low interest rates, spell bad times for term deposits and bank accounts but good times for shares and property. At some stage, as always, things will get ugly for property, not as a long-term asset, but in the short to medium term, whenever interest rates rise. The sharemarket will not like this either.

The Reserve Bank is saying that rates will be low for three years, so if the plan that our economy reopens as vaccination rates move past 70% holds, I see another good year for assets such as property and shares.

One important fact is that many of us are spending a lot less. I suspect the travel, entertainment and eating out part of your budget is flush. We have found that not only has our lifestyle spending dropped to about zero, but a bunch of hotels and airlines have sent us a refund, or at least a credit.

So, in the hundreds of billions of "new" money in our banks sits a decent pile of unspent money waiting to be unleashed. Like you, we are keen to rebook those holidays and revisit our favourite local restaurants. When we have cash, we humans tend to spend it, so providing Covid does not have other plans with some horrible new variant, like most commentators I expect a bit of a lifestyle spending boom next year

With strong statements about cheap money from Reserve Banks, both here and globally, and economies reopening as we learn to live with Covid, it is not unrealistic to look forward to a good year for asset prices.

The great uncertain, though, is uncertainty. Who knows whether Covid will evolve. A strong mitigating factor, though, is that the world's scientists are already preparing for this potential battle. Of course, we also have global tensions and economic shocks. China's property company Evergrande is a reminder of this. Some sort of global shock will surprise us next year and that is the unknown factor.

WHERE I WOULD INVEST $10K

These are volatile and uncertain times. Investment is all about personal attitude to risk, your timeframe and the good, old "sleep at night" test. What you invest in depends on what you already hold. I have a well-diversified portfolio, so with $10,000 in these strange times I'd be looking for a small fund that bought shares I am unlikely to already hold. It would also have a highly experienced manager.

So, I am going with Monash Investors, the same manager I recommended last year, and its listed Absolute Active Trust (Hedge Fund). I own shares in this fund (ASX: MAAT). I'd add the $10,000 to my existing investment. Over the past year, the fund earnt an extraordinary 35%, in a strong market, of course. I like the new MAAT structure: it's a listed managed fund, so it trades pretty much at its net tangible assets, with excellent liquidity and no big discounts or premiums. The managers have an excellent track record. A new feature is targeting a distribution of 1.5% a quarter – handy for some income. Read about MAAT closely to decide if it is right for you. I regard it as one of my higher-risk investments. If the market has a big downturn, I would expect MAAT to go down too. I keep it in the "seven-year minimum hold" part of my portfolio.

SHANE OLIVER Chief economist and head of investment strategy, AMP Capital

Don't get blown off course by the market's volatility

One of the biggest challenges in investing is to not get blown off a well thought out, long-term investment strategy by short-term cyclical swings in markets. And with the seemingly never-ending coronavirus pandemic and the avalanche of daily – mostly gloomy – news around, it certainly is a risk for many people.

2021 has already turned out very differently on the coronavirus front in Australia than what many would have been expecting at the start of the year. After last year's relative success in controlling the virus, there was optimism that vaccines would clear the way for a sustained reopening and continued economic recovery.

It was on track up until around mid-year, with the recovery from last year's pandemic-driven recession proving very strong. But since then, the arrival of the more contagious Delta variant has seen more than half of Australians spend months in lockdowns amid a race to vaccinate.

This, in turn, has set back the economic recovery with our Economic Activity Tracker, which combines timely weekly data, turning down again through the September quarter, consistent with a sharp slump in GDP. (See chart.)

It's not just Australia, as Delta has also impacted the whole world, threatening the reopening. And the vaccines have not been as effective in protecting against the Delta variant as was the case with the original strain and their efficacy appears to decline over time, requiring booster shots.

Additionally, the disruption caused by the pandemic has resulted in supply chain shortages and higher prices, causing some to talk of surging inflation and stagflation.

But while it's been rough – and depressing for many – there is reason for optimism.

First, the vaccines remain highly effective against serious illness. This is evident in the number of deaths in Australia running about a quarter of the level that would have been expected on the basis of Victoria's wave last year. It's similar in other more highly vaccinated countries.

Second, while Australia's vaccination program got off to a slow start, targets are now being met, allowing a start to the reopening process.

Third, the process of "learning to live" with Covid may be rough, with a possible spike in new cases, resulting in the initial part of the recovery being slower than seen in last year's post-lockdown reopening. But providing the vaccines continue to head off serious illness and timely booster shots are delivered, then pent-up demand will still see significant spending unleashed, which will spur a strong recovery through 2022.

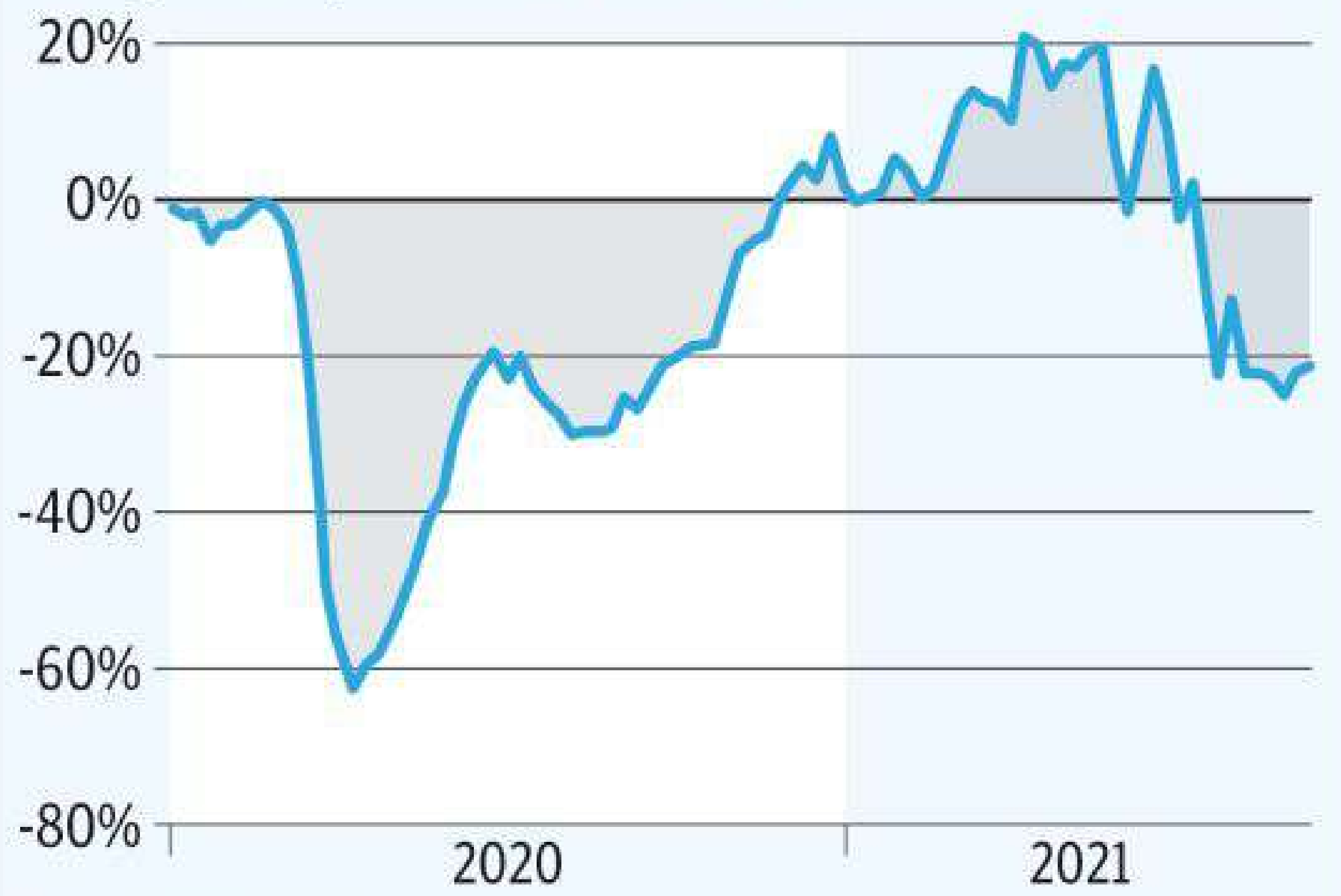
Fourth, monetary policy will likely be easier as a result of the hit from the lockdowns and a slower initial recovery.

Finally, Australia will benefit from the cyclical recovery globally. While peak global growth will probably be seen this year with global GDP growth of 6% it's still likely to be strong next year at 5%, as increasing vaccination globally allows a continuing reopening. Continued global reopening will in time see increased production and less demand for goods in favour of services, which should help reduce inflation pressures.

Shares remain vulnerable to short-term volatility. But looking through the short-term noise, the combination of improving global and Australian growth and earnings helped by more fiscal stimulus, vaccines ultimately allowing a more sustained reopening and still low interest rates augur well for both Australian and global shares over the next 12 months.

Australian economic activity tracker

Change from pre-COVID-19 levels



Source: AMP Capital

WHERE I WOULD INVEST $10K

THE HISTORY OF investing tells us five key things are essential for success. First, make the most of the power of compound interest. Second, don't get blown off by cyclical swings. Third, invest for the long term. Fourth, diversify. Fifth, turn down the noise around investing.

So, I like to keep it simple and, as I say year after year, invest in a well-diversified mix of Australian and global shares using actively managed and index funds.

I would love to think I can pick the next best thing – but I am not a stock picker and know that it's very hard.

In the 1980s, double-digit yields on bank deposits and bonds gave shares a run for their money. But with near-zero yields, this is a distant memory.

And property is fine long term – but I am already loaded up in it via the family home.

Sure, there are plenty of uncertainties. But vaccines are providing a gradual path out of the pandemic. Global growth is set to remain strong. And tight monetary policy looks a long way off. All of which suggests upside for shares for the next 12 months or so.

Of course, this is what I would do and it is not intended as personal advice.

GLEN HARE

Financial advisor, Fox & Hare

Are single Aussies swiping left on financial freedom?

"I'll never be able to afford to buy a home," the impeccably dressed millennial sitting in my office chokes back through impending tears. The young high flyer had recently arrived in Sydney after working their way through an interstate medical system and eventually being put in charge of ours. For the sake of privacy, we'll call them Jesse.

I'm impressed at how much they've achieved in a short professional life – significantly younger than me and already in charge of the health and wellbeing of thousands of people. They're earning an absolute motza for a 20-something, but seem to have no idea what to do with it.

It's a pattern I see regularly in the industries dominated by millennials and gen Z, primarily tech, creative and healthcare. Big salaries, share compensation packages worth hundreds of thousands and no idea what to do next. As the demand for all three has surged over the past two years, I've seen a boom in the number of 25- to 45-year-olds reaching out and asking: "So, I've got money now, what next?" Jesse's peers have more potential than they know.

Returning to the scene in my office, tears still threatening, I ask Jesse to explain why a home seems like such an impossible prospect. "Sydney is too expensive; I'll never be able to afford it!" It's a half-truth; Sydney is ridiculously expensive. But it seems unusual for it to be out of Jesse's reach. After all, those brand-new Gucci sneakers must be worth at least $1000.

We a take a deep dive into the weird, wonderful and wholly excessive world that is Jesse's spending account. Expensive restaurants, food delivery, bars, designer labels, ridiculously overpriced apartment and, of course, Barry's Bootcamp. All the hallmarks of what I like to call "six-figure insecurity".

I'm loath to outright criticise my generation's addiction to spending and credit. Just as I am loath to claim that boomers had it easier. Times have changed. My parent's generation were never expected to package themselves up into a sellable brand, picture perfect and on display, quite literally, 24/7.

Where my parents had graduated, married and paid off their mortgage on Sydney's northern beaches by age 20, my cohorts are expected to curate a palatable online persona, manage a full-time career and navigate an overpriced social scene in one of the world's most expensive countries. It's not a justification, it's reality, especially for singles.

Jesse and the rest of the Tinder/Grindr generation are just as entitled to financial security as everybody else. For many, though, social pressures and a lack of knowledge are destroying their chance of joining the investor class.

"Take a look here," I tell a refreshed but slightly bewildered Jesse. "This is how much you'd need to save every week for the deposit on a $1.5 million apartment". The total is significantly less than the current "luxury" spend.

"It'll take five years and a momentous shift in spending habits, but it's possible. Even better, if we cut the luxury spend further, you've got the potential to build a meaningful stock portfolio, driving you toward a passive income and financial freedom."

The energy in the room is palpable.

For people in Jesse's situation, discipline and self-worth are the key drivers for security – both financial and otherwise. The pressure to conform and "keep up with the Joneses" is quite literally costing them their sanity and not-insignificant salaries.

It's not all about planning for the future. We want to enjoy life now, but not to the detriment of goals that are truly important. There needs to be more balance. Just a minor shift in mindset, from spender to investor, can mean the difference between distinguished and destitute.

WHERE I WOULD INVEST $10K

I'D PUT IT IN the BetaShares Global Sustainability Leaders Fund. I love its index-style approach and "active" ethical overlay, facilitating my desire to invest in a better future. Climate action, animal rights and gender equality are issues that are close to my heart. I'd sleep well at night knowing my money was working in line with those values.

The fund simultaneously divests from companies that choose to pollute, abuse and perpetuate the status quo, while actively investing in their more palatable peers.

Again, I'd sleep well at night knowing my portfolio was enabling the proliferation of clean energy, sustainable infrastructure and social good. I'm a firm believer that you can invest for good and still generate a solid return: this fund is proof of that, returning a whopping 32.83% in the 12 months to August 31.

Being in my 30s and not afraid of a little risk, I'd invest in the ETF via NAB's Equity Builder, capitalising on low interest rates and the ability to increase my exposure in the fund from $10,000 to $50,000. It's a calculated risk, but future me would no doubt be ecstatic with the pay-off.

JESS AMIR

Australian markets strategist, Saxo Bank

Use the big trends as your long-term friend

The Aussie market is in record high neighbourhood, after steadily rising over the past 18 months. In that time the market has only fallen twice: in September last year and in September this year. Traditionally, September is the worst month for shares, and 2021 has been no different, with the ASX falling more than 3%. While it may be a treacherous time for some, others use it as an opportunity to buy shares at cheaper prices before October, when the market has historically risen about 1% on average.

September is traditionally the worst month for shares because most dividends are paid then, and investors usually take profits after receiving their dividends. Also, it's the end of the quarter, so we often see investors rebalance their portfolios, selling or taking profits from shares that have done well in the quarter, and buying underperforming ones from the past three months.

This is one of the reasons why tech shares, which performed strongly from July to September, have been sold off. On the flipside, investors have been buying oil shares, as the energy sector is one of the worst performers this quarter.

All in all, the Aussie sharemarket is also likely to rebound as the economy reopens and takes flight once airlines hit the tarmac. Meanwhile, the market thinking is that the most upside could come from industrials and financials.

Industrials shares, such as airlines, travel, tourism and engineering, are expected to see 15% earnings per share growth in 2022. And financials, including banks and insurers, are also being upgraded – they're tipped to see earnings per share growth of 7.5% in 2022.

The elephant in the room is the heavyweights – buy now or invest later? We must be mindful that markets have fallen more than expected, because the biggest miners in the world and on the ASX (iron ore shares) have taken a beating with the very ugly stick, for two main reasons:

First, the iron ore price has fallen dramatically – over 40% from its high – dragging down the biggest iron ore companies, including BHP, Rio Tinto and Fortescue Metals. This drop occurred after China announced it aimed to curb carbon emissions by cutting back on steel production and slammed the breaks on buying iron ore.

The second reason the iron ore price has fallen out of bed is that China's biggest property developer, Evergrande, is going broke. Big spill-over reactions, therefore, dragged the overall iron ore price down as the property developer is a huge consumer of steel and by extension iron ore.

As a result, over this quarter, Fortescue Metals (ASX: FMG) has fallen over 35%. Aussie-listed Rio Tinto (RIO) and BHP (BHP) fell more than 20% each. Some see this as a buying opportunity, remembering that markets move in cycles.

At some point the iron ore price could slowly rebound. So, patient investors have already started buying the dip. If you are a patient long-term investor too, you could greatly be rewarded in the long run.

Importantly, these miners are not just one-trick ponies. The juggernauts are investing in clean energy to diversify and future-proof their businesses. Fortescue, for example, is investing and working toward generating hydrogen power, and is also making its truck fleets electric in a bid to be carbon neutral by 2030.

Meanwhile, BHP is invested in uranium, which will see increasing demand following the Australian, UK and US program to build nuclear-powered submarines in Adelaide.

Finally, there's Rio Tinto, which is investing $US2.4 billion in creating one of the world's biggest lithium mines to cater to the undersupplied lithium market, which is seeing skyrocketing demand, thanks to the switch to electric cars.

WHERE I WOULD INVEST $10K

THE TRICK TO STOCK picking is to develop a consistent approach. My approach is to look for opportunities and trends that will gain traction over time (the next five to seven years).

For example, I like lithium, as demand is increasing for its use in electric car and computer batteries; semiconductors, as there is a chip shortage given rising demand for computers and electric cars; and banking, as lending and savings increase as the economy recovers.

With $9000, I'd invest $2250 each in four major trends: logistics, banking, semiconductors and lithium. For logistics I'd invest in the port and shipping container business Qube (QUB); for banking I'd invest in the investment manager, bank and infrastructure group Macquarie (MQG); for semiconductors I'd invest in the ETFS Semiconductor ETF (SEMI) and for lithium I'd invest in Orocobre (ORE), the world's fifth largest lithium company. Or there's the ETFS Battery Tech & Lithium ETF (ACDC).

For the $1000 left over as a buffer, I'd invest in the iShares Core Composite Bond ETF (IAF), the largest bond ETF on the ASX, or I'd keep $1000 in cash and use it to top up my shares when they pull back.

MARSHALL BRENTNALL

Director and senior financial planner, Evalesco

When boring delivers the goods, plus peace of mind

WHERE I WOULD INVEST $10K

MY FIRST STEP WOULD be to make a concessional contribution of $10,000 to superannuation, and for this money to be invested into a managed growth model that we regularly recommend to our clients. The tax office would take a 15% tax out of this contribution and the remaining $8500 would be invested.

Crucially, though, this step would see me receive a tax refund, as I can claim the $10,000 as a deduction, resulting in a refund of about $4500. I would invest the refund in my professionally managed share portfolio, which is family-linked to my superannuation account.

Both portfolios would have an allocation of 90% to shares and property and 10% to defensive strategies. The portfolios are diversified in terms of managers and asset class and rebalanced on a quarterly basis. This is how it would work:

- *Concessional super contribution: $10,000*
- *Contributions tax: $1500*
- *Invested amount: $8500*
- *Tax refund: $4500 (assuming assessable income of $200,000)*
- *Invested amount: $4500*
- *Super investment: $8500*
- *Managed share portfolio: $4500*
- *Return on investment: 30%*

At any given time there are investment trends and themes. Some examples at the moment are cryptocurrency, non-fungible tokens, emerging markets, impact investing and, of course, property.

When building plans for our clients, we like to break the choices they have around assets into five categories. And right up front I want to make a disclaimer: yes, this article is general in nature, but, more importantly, it is going to be quite boring. Boring in a good way, though, as our type of boring will help you avoid the big mistake, the next get-rich-quick scheme, and will deliver long-term peace of mind that only a plan can provide.

By aligning investment choices and behaviours with what is important to investors, it is far more likely they will ride through the investment cycles and put themselves in a better position in the long term.

An important place to start the planning process is lifestyle assets – notably to be able to own your own home and to get rid of any bad debts (home loans, personal loans and credit cards). Home ownership is one of the building blocks to any long-term plan for financial success, as it provides stability, and when it comes to the repayment of a mortgage it creates discipline and a forced savings mentality.

Cash flow makes all the choices possible, and unless you spend less than you earn, financial success will continue to elude you. *Money* magazine readers would be familiar with offset accounts and, as strong believers that every account should have a purpose, we have taken our offset strategy a step further and advocate the use of home loans that allow borrowers to use multiple offset accounts that are linked to their home loan.

What this means is that borrowers can have several months' worth of expenses in their "rainy day" offset account, but also regularly allocate money to a "holiday" and a "bills" offset account. Having this money readily available in cash frees you up to allocate more money to our suggested strategies.

We now turn our attention to the investment choices that are going to help you build passive assets. A passive asset is an investment that has no debt and will provide you with an ongoing income stream and access to some capital growth. Some common examples of passive assets are superannuation, a share portfolio and an investment property.

For many people, superannuation may well have been your very first investment, and one that provides a very timely reminder of the magic of compound interest. All investors should be mindful that you achieve better outcomes for your retirement assets by driving down costs, ensuring your funds are allocated to the right types of assets and contributing as much to super as your personal budget allows. For example, concessional (tax-deductible) super contributions increased to $27,500 from July 1, and for those with less than $500,000 there is scope to catch up on payments.

Building a managed share portfolio is really no different from building your super. It requires a long-term approach, discipline and alignment with your risk profile, and for consistent outcomes it should be professionally managed. Professional management will allow you to invest in the portfolio monthly, and for your portfolio to have proper levels of diversification with quarterly rebalancing and to be invested in line with your personal preferences.

While it might be tempting to add gearing, in my experience for most investors this will only add risk and complexity and lead to anxiety. Many public offer super funds also allow investors to establish a personal share or fund portfolio, and to take advantage of generous fee savings via what is called family fee linking.

Having at least one investment property is a choice that can provide benefits throughout your working life and peace of mind knowing that you have a substantial asset working for you in the background. Once your home loan has been repaid, it is important that you turn your attention to minimising your investment debts so that by the time you retire this asset is debt free.

We have consistently applied this framework with our clients over a 13-year period and it is central to our proposition to create healthy, wealthy and happy outcomes.

KATE CAMPBELL

Founder and editor of *How To Money*

Invest with a vision of a better world

I don't think there's any other way to put this: investing is an act of hope. Hope in your financial future, your family's future and the future of the world.

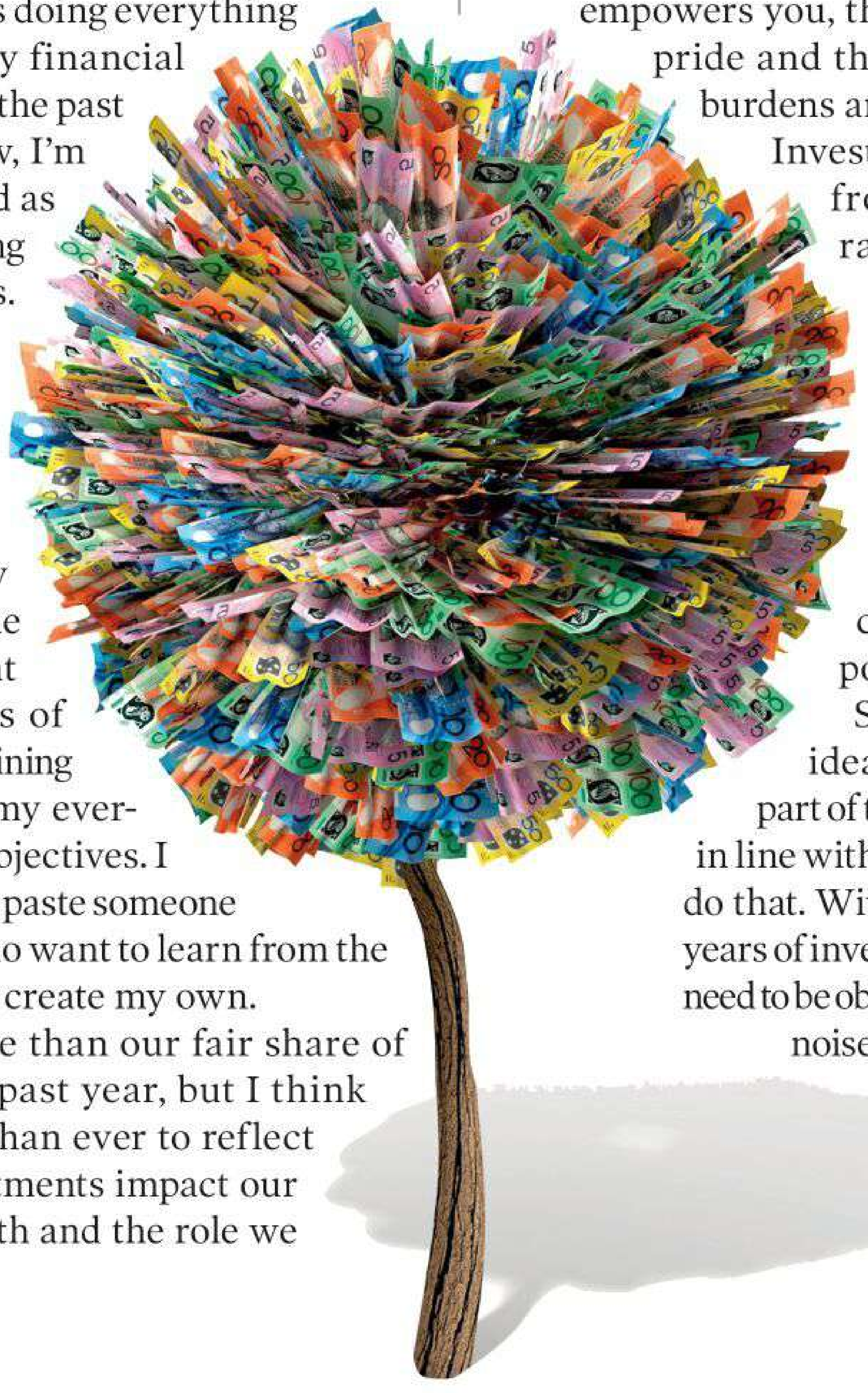
Sometimes I joke that if you're not willing to invest with optimism in the future, you may as well spend your money building a bunker and buying cans of baked beans for the end of the world. Investing without optimism is hard. It's hard on your finances and it's hard on your mental state. If you spend every day poring over headlines of doom and gloom wondering when the next market crash is going to hit, it's difficult to be fully present in the moment.

One of the main changes to my approach to investing in 2021 is the consideration of my values. While before I was focused on "getting it right" and making sure I was doing everything possible to secure my financial future, my focus over the past year has shifted. Now, I'm much more concerned as to whether I'm investing in line with my values.

I'm intentionally contributing to the world I want to see and the future that I want to live in.

This isn't simply throwing reason to the wind and losing sight of the fundamentals of personal finance, but refining my approach to suit my ever-changing needs and objectives. I don't want to copy and paste someone else's playbook, but I do want to learn from the wisdom of others as I create my own.

We've all had more than our fair share of challenges over the past year, but I think it's more important than ever to reflect on the way our investments impact our lives and mental health and the role we play in the world.



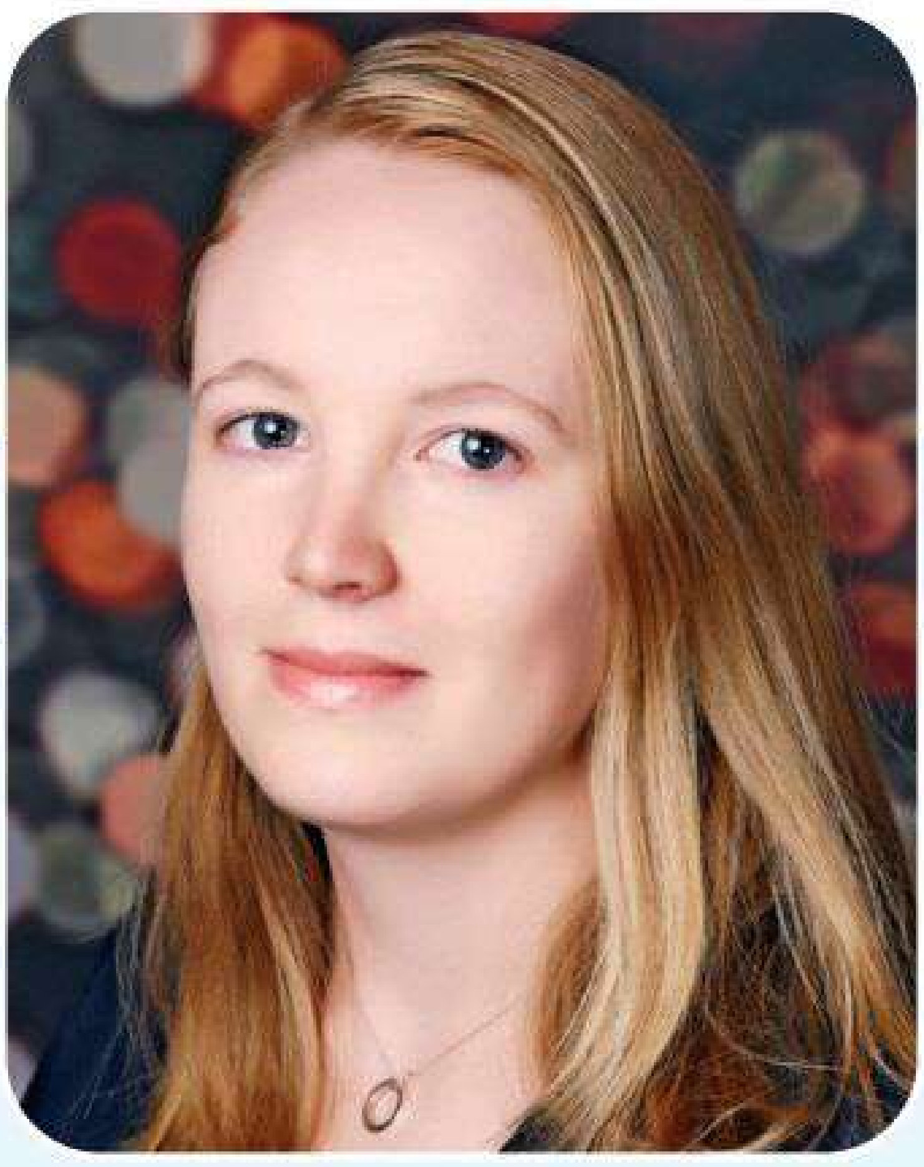
Investing in a company that doesn't treat its employees and customers well, has a poor impact on the community and environment and, frankly, doesn't care about bettering society, isn't going to have a positive impact on your life in the long term.

My preference is to invest in companies that are doing right by their employees and customers, focusing on a strong company culture, concerned about their environmental impact and doing the right thing even when it's hard.

I think many of us can agree that we don't want to be investing in companies that are harming the world. This absolutely doesn't mean losing a sense of reality and putting every dollar you have into a single clean energy company. It's more about focusing on investing in a way that empowers you, that gives you a sense of pride and that doesn't add to your burdens and challenges.

Investing shouldn't stop you from sleeping at night; rather it should offer a more positive vision of the future. Consider what you want the world to look like in the next 10 or 20 years. What companies are going to help build that future? And what companies reduce the possibility of that future?

Sure, I'm young and idealistic, but I want to be part of the solution and investing in line with my values is one way to do that. With another good 60-plus years of investing ahead of me, I don't need to be obsessed with the short-term noise and I can concentrate on investing without the distractions (that is, if I can keep from falling prey to myriad cognitive biases).



WHERE I WOULD INVEST $10K

YOU'VE PROBABLY HEARD about ethical and ESG investing over the past few years, but I'd love to hear more surrounding values-based investing and our personal mental health. Money is a great point of stress in many people's lives and I know many of us are struggling with our finances, or have loved ones who are struggling, whether or not they speak about it. So, to not speak about the role that our finances play in our overall well-being is a missed opportunity.

This will look different for everyone, but for me (and my $10,000), my investing choices include being more intentional when choosing my super fund, researching a company that will improve healthcare outcomes for Australians and investing in exchange traded funds that exclude companies contributing to the climate crisis.

So, when you're thinking about investing through whatever vehicle you choose (ETFs, shares, property), consider using investing as a tool that empowers you, rather than something that's going to add more stress to your already full plate. If you're interested in learning more about how to invest in companies that align with your values, I helped create a great free course on ethical investing which you can find at Rask Education.

DANIELLE ECUYER

Author and founder of Shareplicity

Themes to follow after the great US bull run

WHERE I WOULD INVEST $10K

LOOKING AHEAD, I think the next 12 months will be more challenging, as earnings growth comes off a record high base. There will be question marks around the pandemic's impact on supply chains and input costs. Inflation expectations could create timeline problems for the US Federal Reserve's plans to taper and eventually raise interest rates.

I would invest in ETFs with secular themes and increase exposure to quality stocks with more defensive earnings streams and dividend income. Some US stockmarket examples:

- *Sherwin-Williams is the Dulux of the US and should continue to be a defensive stock.*
- *Intuit is another long-term winner, a cloud-based software provider for SMEs.*
- *Blackstone for exposure to the growing demand for private equity globally.*
- *Linde is an industrial gas company with exposure to the burgeoning green hydrogen market as well as oxygen (a Covid beneficiary).*

I believe these companies will offer solid performance with dividend payments, and earnings should not be as exposed if global growth is more challenged and inflation remains elevated for longer than expected.

Looking back on the past 12 months, I think it is fair to say even the most bullish commentators failed to appreciate the extent of the US bull market.

A pandemic and a contested US presidential election did little to derail investor optimism, including the newfound enthusiasm of the vigilante retail Reddit crowd, who embraced the commission-free trading platform Robinhood. It's a brave new world when retail traders take on hedge funds and manage to topple their short positions.

Underlying the bullish index movements has been a flip-flopping of sentiment between different baskets of stocks such as the value/cyclical and growth/technology. A sub-sector of themes has also come into play, referred to as the stay/work-from-home stocks (Zoom and Netflix), the re-opening stocks (casinos, airlines) and the secular themes such as decarbonisation (lithium, uranium), cloud services/cybersecurity and fintech payment platforms (Square, Affirm and SoFi).

In fact, the rotation and movement between themes and/or baskets has taken place beneath the index levels, meaning the investor experience would vary greatly. Imagine the indexes moved higher (recently led by the technology giants, the FAANGs) but underlying them was a lot of stock price volatility with some very high price rises and falls.

Many of the changes in investor sentiment were driven by the changes in the US 10-year treasury yield, which started at 0.677% at the end of September 2020, peaked at an intraday high of 1.7790% at the end of March 2021 and has since fallen and settled around the 1.3%.

If you are wondering why the 10-year yield is so important, look no further than the narrative behind the movement in this benchmark rate. The higher the 10-year yield went with the re-opening of the US economy and the vaccine rollout, the more value and cyclical stocks performed. Conversely, investors sold the more expensive growth, technology and the stay-at-home stocks as the 10-year yield rose due to the higher stock valuations and long future earnings lead (meaning they are not currently profitable).

My US stock portfolio has some core exchange traded fund (ETF) holdings, such as Invesco's S&P 500 ETF. I have also held some thematic ETFs such as Global X Lithium & Battery Tech, Invesco Solar and iShares US Healthcare.

In terms of stocks, I have a selection of long-term holdings that I trim if prices run too far or add to when there is a sell- off. Although I have a slant towards growth, innovation and technology (secular trends), I am very aware that the valuations are high by historical measures. Some typical examples are the cloud-based cybersecurity stocks CrowdStrike and Zscaler and the enterprise software companies Atlassian and Snowflake.

My portfolio has been positioned with a barbell approach to capture both growth stocks with reasonable valuations, such as Alphabet and Apple, and cyclical quality stocks such as Honeywell, which has exposure to clean energy and aerospace.

In life sciences, I tripled my money on the biotech Moderna and took profits. Regeneron, another biotech company that produces a monoclonal antibody product used to fight Covid infections, has also been a winning investment.

I took profits after Tesla's stratospheric run to $US855, although the stock remains in the portfolio, as do some long-term holdings in Shopify, Amazon, Microsoft, Apple, Salesforce, Service Now, CrowdStrike, PayPal and Square.

In the cybersecurity theme I added Palo Alto Networks when the stock was sold off in September. Disney remains my re-opening/digital streaming play and I continue to hold some MGM and Alaska Air for the re-opening that comes and goes.

On balance, I try not to trade the stocks, but some of the moves have been so large that not taking profits seemed imprudent.

I will retain and add to quality stocks in predominantly secular growth themes such as decarbonisation, digitalisation, the cloud, cybersecurity, digital wallets and payment systems as well as asset/wealth management.

SIMON PRESSLEY

Propertyology head of research and REIA Hall of Fame Inductee

Look to the regions for the best deal in investment property

October marked the two-year anniversary of the start of the second biggest national property boom in Australia's 230-year history. All at the same time for the first time since 2003, property prices are increasing in each of the eight capital cities plus the 200 individual regional cities and towns.

To put the current property market pressure into perspective, the 215,911 properties that were listed for sale across Australia at the end of August were 39% less than at the same time eight years earlier, yet the national population has increased by 2.5 million over that period. Reserve Bank commentary suggests that record low interest rates are likely to be with us for many years. The reduced cost to service mortgages is likely to underpin a higher than normal volume of buyer activity for years to come.

Property markets have a rock-solid floor, supported by an unprecedented amount of economic stimulus and infrastructure investment, combined with Australians collectively holding $230 billion more in their bank accounts than they did before Covid.

Propertyology, which helps investors find a suitable property, expects the markets of many towns will enjoy a cycle that will produce capital growth rates of between 70% and 100% across just five years.

Investors can also look forward to the best era yet for real estate cash flows. Seriously low investor participation rates during the five years directly before Covid arrived has resulted in grossly insufficient rental supply. Accordingly, household rents are now soaring everywhere other than Sydney and Melbourne.

At the coal face, our buyer's agents have already seen weekly rents for standard houses increase by $100 or more per week over the past two years. The best capital city property market fundamentals right now are in Hobart, Canberra, Brisbane and Adelaide. But to find the absolute best opportunities, investors need to ignore the mainstream rhetoric and focus their attention on regional Australia.

Over the first 12-months since Covid arrived Down Under, the population of regional Australia increased by 51,200 while the combined population of Australia's eight capital cities declined by about 17,200.

Economic growth in large parts of regional Australia was already superior to capital cities well before Covid. It's the primary reason 58 of the top 60 highest rates of capital growth of the past five years were in the regions.

Post Covid, there's a stronger appetite for space, outdoor activities, nature and reduced congestion. And the groundswell of people who have elected to embrace the work-from-home lifestyle opportunity (including yours truly) now have the ultimate freedom of being able to live wherever their heart desires while taking their job with them.

Rising tides lift all ships, but all ships aren't made equal. The smart property investors won't buy a rubber dinghy.

The current population, economic and housing supply trends of Sydney and Melbourne are like water, oil and flour – not a good mix.

Their population has swung from a combined annual growth of 190,000 two years ago to a combined decline of 56,000 over the first 12 months of Covid. Official data already confirms that both cities lost 32,000 people (net) to internal migration.

The combined rental vacancy in Sydney and Melbourne at the end of August 2021 was a whopping 42,142. Conversely, the combined rest-of-Australia had only 16,714 dwellings for rent. And the unintended "legacy" of living in lockdown for longer than all other Australian locations will be thousands of business closures, even more jobs lost and local economies that will struggle for many years to come.

Perth's unhealthy economic reliance on Chinese demand for iron ore is something to also be wary of.

In all locations, there is an enormous body of evidence against investing in apartments. Don't say you haven't been warned! **M**

WHERE I WOULD INVEST $10K

ONE MUST ALWAYS be mindful of one's limitations. I'm a professional property investor and I won't pretend to be an expert on other asset classes.

There's obviously not a great deal of options for $10,000 in real estate, so my initial goal would be to build that $10,000 up to about $70,000 as quickly as I could.

I would then use the money to cover a 10% deposit plus acquisition costs to purchase an investment property for $400,000. I'll back Propertyology's ability to find a detached house in a location that has strong growth drivers and is cash flow neutral from day one.

The question is what to do with the $10,000 until then?

If one has an existing non-deductible home loan, I'd consider placing the $10,000 in a mortgage offset account. There's arguably never been a better time to aggressively pay down non-deductible debt.

And with property markets already booming, one may have acquired enough equity to raise that $70,000 inside 12 months.

Other than that, I'd consider spreading the $10,000 across three or four stocks. I'm a huge advocate of diversity – maybe Qantas, Woolworths, BHP plus a renewable energy stock. I'd also consider investing in gold.

STORY **SUSAN HELY**

A betrayal of trust

Under the cover of lockdowns, unscrupulous children and other relatives are ripping off ageing parents more than ever

Financial abuse of the elderly is on the rise, particularly during pandemic lockdowns. Retirees with houses, superannuation and other assets are an attractive target for greedy relatives or swindlers.

Lawyer Katie Binstock is seeing more older people who have been cheated out of their savings and homes or been forced to change their will or other legal documents against their best interests. A lawyer at McInnes Wilson, Binstock specialises in elder and succession law.

With 16% of the population aged over 65, it is a hidden crisis, says Luisa Capezio, aged care adviser at Phillips Wealth Partners. The perpetrators are often family members, according to a Seniors Rights Victoria study, which found around 73% are sons, daughters, sons-in-law or daughters-in-law. Around 10% are intimate partners. Others are friends, neighbours or carers.

Elder abuse often occurs in the privacy of homes and the perpetrators are secretive about their behaviour until there is a crisis, such as the older person needing to fund aged care or pay their bills.

Kicked out of home

Take the case of 82-year-old Rose, who entered into a financial arrangement with her son, John. Rose signed over 40% of her home in return for John moving in to take care of her and pay all the bills. Rose moved into a flatette at the back of the house. When John got married, his new wife gave him an ultimatum: "Your mother has to go."

In the meantime, John asked Rose to sign documents that, as it turned out, transferred the whole ownership of the house and other funds to him. When the bills started mounting, Rose realised John wasn't paying them, which was part of the agreement. She was confused and overwhelmed. Then John told her she had to leave the house.

Rose's memory was failing and she couldn't understand what has happening. She contacted her other children, who ended up taking Rose to a lawyer who specialised in elder abuse. It was a difficult case to unwind because she had signed documents. But because her memory or capacity to understand was failing, the lawyer was able to argue she didn't know what she was signing. Also, her son wasn't looking after her best interests. The first lawyer who acted for both Rose and John, transferring 40% to John and then the whole amount, was found to have breached his legal duties. Not surprisingly, the case tore the family apart.

Worse in lockdowns

NSW Police say elder abuse is a form of family violence. Financial abuse is one of many types of elder abuse. Other sorts include emotional abuse, neglect, physical abuse, sexual abuse and social abuse where older people are kept isolated or restricted from seeing and contacting people.

Elder abuse cases shot up during lockdown periods, according to hospital emergency department, police and ambulance data. One of the reasons is that adult children returned home to live with their parents due to unemployment or returning from overseas.

While this might be okay for the short term, over the long term, problems can arise, says Melanie Joosten, from Seniors Rights Victoria, a legal centre that provides a helpline and an advice service to prevent and respond to elder abuse. In an interview on community radio station 3CR, Joosten said that often older people are victims of inheritance impatience, with family members eager to get their hands on Mum and Dad's money. They will do all sorts of things to get it. She believes it stems from a misguided belief that older people don't need their money and they should hand it over.

But sometimes it isn't a family member, as in the case of Abha Anuradha Kumar, a former nurse who received the $1 million estate of Lionel Cox, a 92-year-old with no family. She had known him for less than a month in an aged care home. She was charged with engaging in professional misconduct, which included getting Cox to sign a will making her the sole beneficiary and executor. She was banned from being a registered health practitioner for five years.

Elder abuse is typically identified by doctors, geriatricians, social workers and increasingly home carers, who are trained to look for signs that the older person isn't safe. In response, governments have set up elder abuse hotlines to advise older people, family members and concerned members of the community. Financial elder abuse is so common that legal firms, as well as financial planners and accountants, are specialising in it.

But often financial planners and lawyers see people when the financial damage is already done, and it can be a complicated and lengthy legal process to win their money back.

"Identifying, seeking help and prosecuting the perpetrator can be challenging," says Craig Phillips, from Phillips Wealth Partners. But this doesn't mean people are powerless to do something about it. He wants to raise community awareness of signs of elder abuse and for people to check if an older person is in a safe and supportive place. Phillips is working with retired clients to set up an estate planning framework to protect them from ever becoming victims.

Dementia set to grow

As older people lose their capacity to look after their finances, they become vulnerable. Dementia Australia says there are currently

BEWARE THE GRANNY FLAT TRAP

Some parents who don't want to go to a retirement home move in with their adult children or have them move in with them. They come to a financial arrangement, compensating their adult kids for moving in and looking after them. These informal arrangements can be a disaster if the relationship breaks down.

But you can make a more formal granny flat arrangement that ensures the older person lives in the property under a life tenancy interest and still receives the age pension. There is a Centrelink exemption that allows a parent to transfer or sell part or all of their home, or pay money, to their children for a lifetime right to use the granny flat.

But these arrangements can be fraught, warns lawyer Katie Binstock, who has provided advice on many granny flat arrangements. Aged care adviser Luisa Capezio describes them as messy. All parties need to do their homework.

Both Binstock and Capezio stress that a lawyer who understands the risks should draw up the agreement. "There are so many things that can go wrong," says Capezio. First, the agreement has to stick to the Centrelink rules so that the aged person still receives a pension. Often well-intentioned adult children find that living with an ageing parent can be a burden, she says.

Parents need to think carefully about signing over their interest in the home, says Binstock. "You are going from having an interest in your property where you have control and hold all the cards," she explains. "The problem with selling up and putting money with the family or transferring it to the family is that you don't hold any cards. You don't cover what happens when there are changes."

Common problems that can derail a granny flat agreement and land the parent in trouble include an adult child's separation from their partner. Or the parent needs money to cover aged care costs but they have handed it over to their adult children. If the parent does get dementia, it is hard for both the parent and the child to stay at home and the parent could be better off in aged care.

Binstock says she has seen adult children take wonderful care of their parents, often putting their work life on hold or cutting back their hours. But these adult children can have to confront siblings who believe they have taken advantage of their parents. She has to deal with contested estates and disputed powers of attorney.

She recommends that adult children who care for their parents keep records or a diary note of what they spend their parent's money on and what their parent requests, in case there is a challenge by other siblings.

She also recommends parents think carefully about who they appoint as power of attorney. "Appoint people who you can trust. Think of the relationships between family members. Consider who is financially stable and who is likely to take the money. Where are the problems likely to come from?

Binstock recommends that parents outline what gifts or remuneration they want their children and grandchildren to have from their estate while they are alive. By adding a clause in the power of attorney document, this can avoid family disputes.

472,000 people living with all forms of dementia and without a major medical breakthrough it forecasts this number to grow to 1.1 million by 2058.

Ageing brains and cognitive decline can be a huge threat to a person's wealth, particularly if they insist on making all their own financial decisions. Research says that it does become harder to make sharp financial decisions in our 70s and 80s.

Often the elderly appear on the ball outwardly. They have personable skills and are well presented. But they are not coping. At the same time, they put up barriers to people such as friends who try to help them, refusing to give up their independence.

Phillips recalls an older woman, with no children or partner, who came to see him but couldn't tell him anything about her finances. She had a long working life before she retired but didn't know which superannuation fund she belonged to or where her money was. She recently had received a large cheque after downsizing but didn't know what to do with it.

It is a delicate issue and a difficult conversation for a financial planner. One of the options that Phillips explored was to find if there were any trusted relatives who could support her. He located a sister who was of sound mind but lived in another city. He was able to contact her for help.

Other supportive steps that can help, says Phillips, include contacting a doctor to organise an ACAT assessment for extra help, plus a lawyer to update documentation to protect them.

Cognitive decline can happen to anyone, says Brie Williams, head of practice management at State Street Global Advisors for the global SPDR exchange traded funds business. They don't necessarily have to have dementia or Alzheimer's; people without either can still have great difficulty with financial decisions.

Medical research shows fluid intelligence or the ability to learn and process information and solve abstract problems peaks at around age 20. Crystallised intelligence, which is defined as wisdom, experiential knowledge and learning by doing, continues to improve before levelling off in a person's late 60s. This is around the time that the first signs of cognitive decline typically arise. They become more commonplace in the 70s and even more prevalent in the late 80s.

But while financial literacy and numeracy scores start to go down, there is a dangerous increase in overconfidence that makes investors doubly vulnerable to adverse financial decisions as they age because their skills diminish but they are not aware of the impact, says Williams.

The remedy is to have a plan to help protect older people's assets to maintain control in case anything happens to their decision making. You need to anticipate their financial needs and circumstances, but you need to be respectful. Often there is resistance.

But putting it off has significant risks, warns Williams. It could be too late to put anything in place if they decline because it won't hold up legally once they are medically diagnosed.

Being a self-funded retiree and doing your own investing can be tough. Yet many self-managed super funds are owned by retirees who are in the pension phase and don't use a financial planner, according to the research house Investment Trends.

By contrast, retirees receiving account-based pensions from major superannuation funds can be better insulated from their diminished financial acumen. The funds have substantial resources to make the investment decisions.

What to do about it

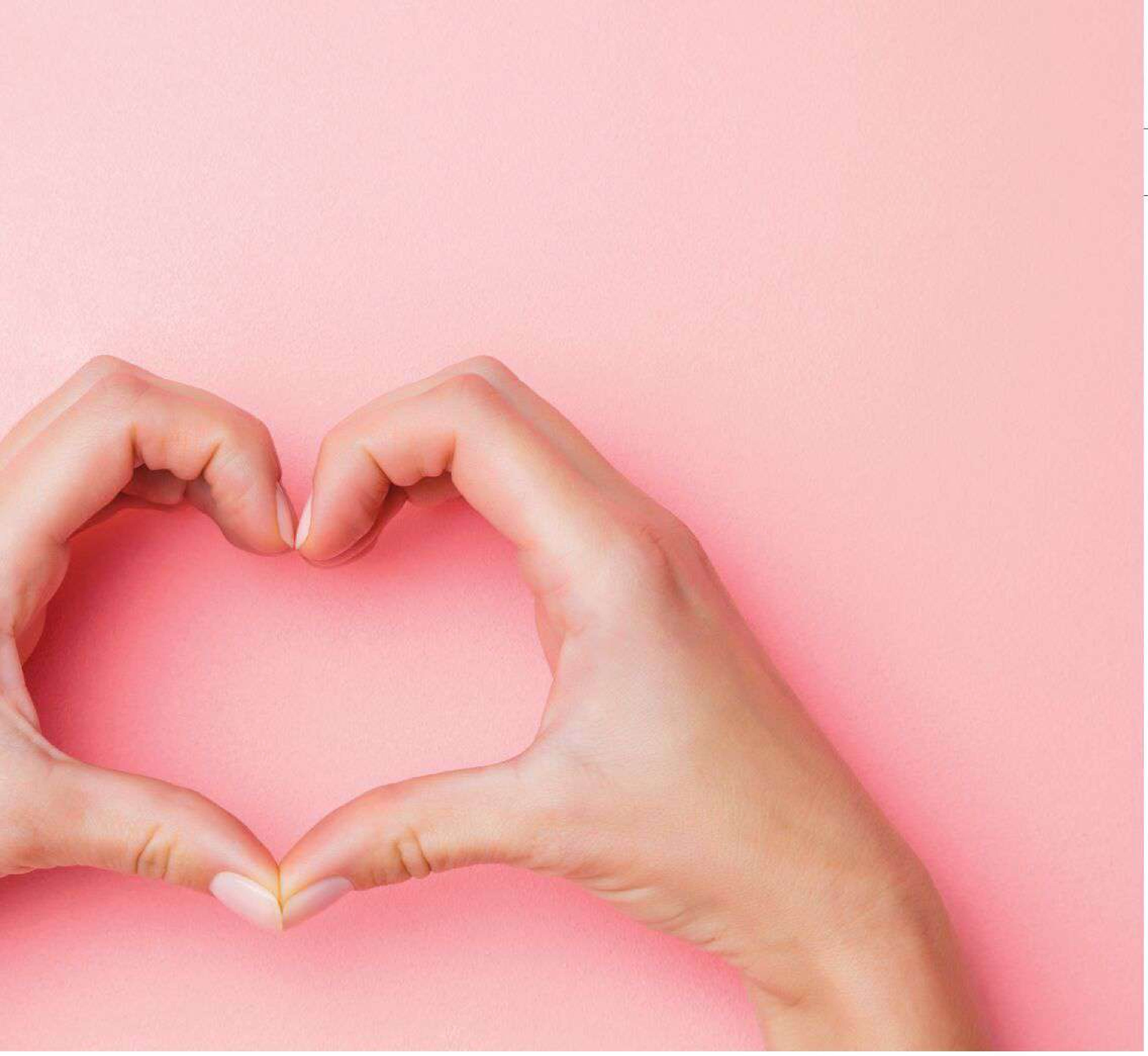
Being abused is difficult for people to talk about and there are some national and state support services for the elderly. (See breakout, "Who to contact".) There are police who specialise in elder abuse.

Also, there are legal services in most states,

SIGNS OF FINANCIAL ABUSE

How do you help protect the elderly? Look for suspicious signs. While one or two of these probably don't indicate something is wrong, a combination of several could.

- When an adult child has undue influence over an ageing parent who is losing capacity to make decisions and a deteriorating memory.
- If an adult child lives with the parent and is financially dependent on them.
- The parent is isolated by the adult child who blocks visits from other adult children.
- The adult child is secretive about the parent's finances.
- The adult child has a substance abuse or gambling issue.
- Estate planning documents such as the will or power of attorney or enduring guardianship are changed if the parent has some cognitive issues such as early or advanced dementia.
- The parent complains of the unexplained disappearance of belongings or credit cards or substantial bank withdrawals, or doesn't have enough money to pay the bills.
- No food in the fridge.
- Cancelling or refusing home-care help.
- Receiving late-notice reminders for bills or aged care fees.
- Reduced spending on services they valued in the past such as personal care, household upkeep or social outings.



through legal aid, but you must meet certain criteria about income.

Binstock says some states have a pro bono service through their law society that may be easier to qualify for.

Melanie Joosten says that when an adult child is taking financial advantage of a parent, it is important to understand what the older person wants to do about it rather than impose what you believe should happen.

"There are often other factors involved and the older person doesn't want that child to get into trouble," she says. "So, on the one hand they want the abuse to stop, but they worry about what will happen to their son or daughter if they kick them out of the house."

Luisa Capezio urges community members to be aware of signs of elder abuse among residents. Notice if they are more withdrawn than usual and if they are not enjoying their usual activities. They may be confused or worried about money or have stopped paying for things. They may appear dishevelled and neglected or not be eating properly.

The most important thing is to talk to the older person to find out if they are safe. Is anyone causing them trouble or being disrespectful? Listen carefully to what they are saying.

"Often they want the behaviour to stop but they want the relationship to continue. It does get out of control and there are lots of stresses," says Joosten.

She believes that in lockdowns older people could be prevented from making contact with other family members, friends and services who might be able to help them. They are stuck at home with the perpetrator.

Scammers zero in

The elderly are vulnerable to fraud, particularly those who are on their own or have failing cognitive skills. Losing money can have a devastating effect on the quality of their life. Elderly people can be unaware of what's going on or are too embarrassed to talk about the loss and ask for help.

Often family members are unaware that their loved ones are being swindled. Scams encompass investments, unexpected prizes and false inheritances, in exchange for personal details. Often there are fake (and real charities) calling for donations. Swindlers also go door-to-door offering home maintenance or gardening or roofing or plumbing services. Threats and extortion from tax office or utility company impersonators are designed to pressure elderly people into handing over their money.

Scammers use dating websites and other social media to take advantage of the recently divorced or widowed who are naive about how technology works. The love interest plays on their emotions to get them to lend money or give gifts or simply reveal their personal details. *M*

HOW TO PROTECT YOUR PARENTS

- Broach the sensitive topics of ageing and a decline in memory long before there are any signs.
- Call on your parents' trusted friends and professionals to help them understand the risks of not planning for a "what if" scenario.
- Sort out power of attorney so that if a parent or spouse loses their ability to make financial decisions, someone responsible and trusted can take over.
- Warn your parents about scammers who target the people and urge them to watch out for dodgy investment or romance schemes.
- If your parents don't have a trusted financial planner, find one who understands the need to have a plan to transfer wealth if there is cognitive decline.
- Help your parents to stave off memory loss with exercise, adequate sleep, a good diet, stress management, mentally stimulating activities and social engagement.

Who to contact

- Elder abuse victim support, Compass, 1800 ELDERHelp (1800 353 374)
- State and territory elder abuse victim resource centres: My Aged Care 1800 200 422, myagedcare.gov.au/getting-support
- Older Persons Advocacy Network, 1800 700 600, opan.org.au

Susan Hely has been a senior investment writer at the Sydney Morning Herald. *She wrote the best-selling* Women & Money.

A conversation we need to have

STORY **PAUL CLITHEROE**

Dementia affects an increasing number of Australians, and families should plan now for the financial risks

In the October issue of *Money*, I really struggled to answer a question from one of our readers. Mrs Pilay asked me about how to handle money issues with her partner who had dementia. After reading information about this on the many excellent websites and calling experts in this field, I felt that ageing and money is something we all need to talk about more.

Sure, my wife and I have had our parents and elderly relatives die and have provided love, care and support. But the deaths were mainly the result of cancer, heart issues and, in the case of a 96-year-old aunt my wife cared for, just old age. Yes, there were all the usual problems around cancelling driving licences, power of attorney, living wills, finances and so on, but we had not personally cared for a loved one with dementia. Dementia Australia says that in 2021, 472,000 Australians live with dementia and 1.6 million people provide care to them.

The reality is that many *Money* readers will know a great deal about dementia and money, but quite a few of us will not. Obviously, I have zero expertise with dementia, but I can say one thing for sure, because we will all die. We need to have plans for this and discussions with our loved ones about what we would prefer as we age and how our choices will be paid for. You just can't leave this too late.

Without a significant medical breakthrough, Dementia Australia says that some 900,000 will be suffering from dementia in 2050. With these forecast numbers, this must touch either us personally or someone close to us. The causes, and the steps we can take to lower our risk and manage dementia, I'll leave for you to read about and discuss with your medical advisers. Here, I'll concentrate on what I do know about – money.

Mrs Pilay was concerned about her husband's Amex card, and the ability to rack up unwanted debt and, of course, the risk of becoming a victim of fraud. I had a few chats with Amex and they we very helpful. Like all credit card providers, they have a significant investment in fraud detection. And if there is a fraud, money will generally flow back to a credit card customer.

But what about unplanned spending? Here, of course, the right answer is to cancel the credit card, providing you have power of attorney. That sounds simple, but it's a bit like having to tell a parent they can no longer hold a driving licence. Obviously, we all secretly hope they will fail a test and have the transport department refuse to issue a licence, then it is not "our fault". But we cannot sit back and watch an incapable parent or relative driving dangerously. This is a tough one, and it is the same with credit cards. We love to be in control of our money and that is fair enough.

At least with a credit card, there is not only the cancellation option. It seems to me that it makes a heap of sense to reduce the limit and at least minimise the damage from unwanted spending. I read one case study where the partner of a dementia sufferer let the spending go on and overnight hid the purchased items and returned them for a refund, as it made for a more harmonious relationship.

Let's look at the practical things we need to do while we have our full cognitive capacity.

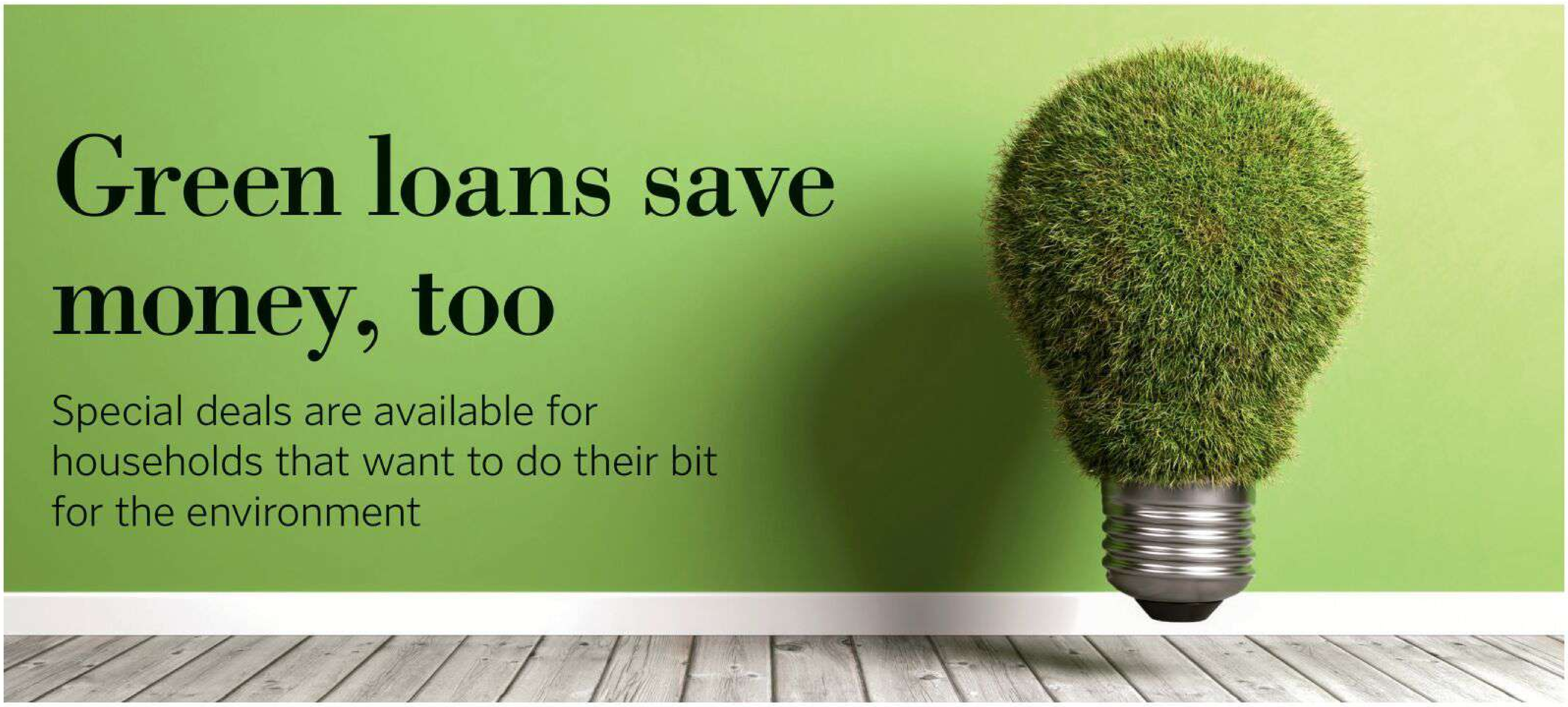
We need to appoint and enduring power of attorney. This could be an adult child, brother or sister, a trusted friend or the Public Trustee. Much better for this to be a person who loves you and won't abuse the trust. Then we all need to ensure our will is updated and reflects our current wishes. We have taken our adult kids to these meetings with our lawyers.

Next, get your super in order. This is on my mind: our DIY fund holds some complicated investments, so we are talking to our three adult kids about this. Equally, shutting it down in the future and using a low-cost, large super fund is a good back-up option. Now we move to record keeping. List your financial documents, house documents, health documents. Basically, we need to get our act together. Now.

Most importantly, start the conversation with those who will care for you. We all hate talking about illness and death, and our kids do have a bit of a chuckle when I talk about potential illness and my death. It is a bit like car accidents. We know more than 1000 a year will die on the roads, but as optimistic humans we think it won't be us or our loved ones. But death is certain, and illness and a loss of cognitive capacity before death are quite likely. So, while our kids and, in particular, our grandkids think "Poppi and Nani" will always be healthy and playing with them in the park, and going on holidays and outings, this, of course, is not the reality.

I have only gone to sites like Dementia Australia, MoneySmart and the very well written but confronting DailyCaring to help me write this article. But I have learnt a lot. Mind you, DailyCaring's article called "Responding to 4 Common Dementia Accusations: Stealing Money, Stealing Things, Poisoning, Being Held a Prisoner", was not the highlight of my day.

I don't know much about dementia, but at least I know a little and it will be added to our family conversations. *M*



Green loans save money, too

Special deals are available for households that want to do their bit for the environment

Going green doesn't have to cost you the earth. There are bank "green loans" designed to offer more favourable terms if you want a household that is more environmentally friendly.

You can borrow as much as $30,000, depending on your bank and your borrowing capacity, to have a fully kitted-out green home. That means installing a solar panel system with battery packs, rainwater tanks and even a grey wastewater system, taking your gas, water and electricity bills down to a fraction of where they could be.

The appeal of going off the grid has gone up as electricity prices rise and the spectre of tight water restrictions faces us during bushfire season. More people are also working from home or living in remote areas, making sustainable living an easier choice.

Check the requirements

One in four households have installed solar panels, making Australia one of the leading countries for the uptake of the technology. But if you are going to borrow funds to install a system or replace an existing one, make sure the bank has included your prospective installation company on its pre-approved list. This can vary between the loan providers and your application could be rejected if you don't check approved solar retailers.

For some households with panels installed, buying battery packs to retain their excess power makes more sense than selling it back to the grid, but batteries are not cheap. They can typically cost between $5000 and $10,000, or more, depending on your household needs. Research shows that you can save around $600 a year using battery packs so it could take you a long time to recoup your outlay. Before you apply for a green loan, make sure you have assessed the real cost benefits and adjust your expectations accordingly.

Compare interest rates

Generally, green loans fall under the personal loans category and can be secured, against an asset, usually your home, or unsecured, which attracts a higher interest rate. As a rule of thumb, expect interest rates to range between 3% and 8%, depending on your lender and your preferred loan terms.

There is such a wide margin, so it pays to do your homework.

An exception rather than the rule, Commonwealth Bank's CommBank Green Loan offers a low interest rate. Existing customers can get a fixed 0.99%pa based on a 10-year loan ranging from $5000 to $20,000.

In addition to the low rate, there are no establishment or monthly service fees and no penalty for early repayment.

You should include these features in your checklist because not all loan providers do this. For example, non-bank lender Brighte requires a $299 establishment fee and a $1.50 weekly account-keeping fee. The upside, however, is that Brighte specialises in green loans and can offer its product to a broader market, while Commonwealth Bank has a stringent set of criteria so not everyone is eligible for its low rates.

Incentives for electric car

Bank First offers a lower interest rate of 5.56%pa (as at the time of writing) on loans for hybrid cars or cars that have lower emissions for their size, with a build date of the current year or previous calendar year. This contrasts with the higher 8.12%pa comparison rate offered for anyone applying for the "used car loan".

Check with your bank if the car you want to buy qualifies for a green loan.

There are other savings outside lower interest payments depending on which state you live in. For example, since September 1 this year, the NSW government has waived stamp duty on battery and hydrogen fuel cell cars priced under $78,000 and offered $3000 rebates for the first 25,000 private purchases of EVs under $68,750.

Whether it's solar hot water or solar air-conditioning, you don't have to pay standard interest if you want a more energy-efficient household. There could be a green loan to suit your taste and budget.

Michelle Baltazar is editor-in-chief of Money. *She has worked on various finance titles including* BRW *(now closed) in Australia and* Shares *magazine in London.*

MIND GAMES Phil Slade

Practise walking the plank

Investors will do better if they focus on the goal, rather than the risk

If I asked you to walk across a 10m long, 20cm wide plank that is 10cm above the ground, I'm sure you would have no trouble doing it. No one falls off at 10cm. Raise it to 1m and likely this will still be simple enough. Raise it to 2m and you'll probably start feeling shaky. Raise it to 10m and you'll probably say, "Thanks, but no thanks."

This seems rational – it's too risky, right? Or is it? The risk of falling hasn't actually changed, only the consequences of falling. You've already proven that you can walk the plank at lower heights without falling, so why should the increased height make any difference?

The consequence of, and our fear of, failure has significantly increased. Most people when faced with this increased height focus on the consequence of failure rather than the goal. And as humans the more we focus on negative consequence, the more likely we are to realise that as our reality. No one falls off at 10cm, but most people would stumble or baulk at 10m, even though the task is the same and should carry no additional risk.

Anyone who was brought up on country roads knows that when you pass a big rig at night you never look at the oncoming headlights, you look at the black space next to the truck where the road is. This is because you are more likely to drift towards the thing you are focusing on. Focusing on the truck to avoid it increases the likelihood of having an accident. Focus on where you want to go, not what you want to avoid.

Back to the plank. Even if you did walk across it at a 10m height, a watching crowd may not give you great adulation for your efforts. If you want love (returns) from the crowd (market) for your effort (investment), you need to increase the risk. No risk, no reward.

Say we decide to add something risky to our plank walk, like a back flip, where the consequence for failure is large at the 10m height (a sizeable investment). To do this for the first time at 10m is almost certain to end in tears.

So, the seasoned performer practises the risky manoeuvre on the ground until it comes as naturally as walking, then raises the consequence to 30cm, 1m and then, finally, 10m. This is where they will receive the greatest adulation, and many happy returns.

Know the difference between risk and consequence. Doing things with higher consequence but lower risk (such as putting most of your life savings into blue-chip shares) is unlikely to give you great short-term returns if that is your goal. Conversely, if you are crippled with the fear of losing everything, you are likely to panic at some point and become your own self-fulfilling prophecy.

But don't forget that jumping straight into high-risk investments without any practice or experience is also a sure-fire way to devastate your finances. When you start, you may make some silly mistakes. This is okay. For most of us it is the only real way to learn. Practise with small investments first. Find a manoeuvre or industry that you understand and that works for you, then slowly raise the stakes.

Even the most experienced of plank walkers fails every now and then, which is where the safety net of a balanced portfolio is critical for those times when unexpected wind gusts blow you off balance.

Phil Slade is a behavioural economist, psychologist, and co-founder of decision architecture firm Decida.

Things to help you succeed

1. Focus on the outcome. If you focus on what you fear, that's where you'll end up. Set your sights on your goals and focus on how you are going to overcome challenges rather than on the challenges themselves.
2. Start small. Practise little test-and-learn experiments, creating safe spaces to fail. Invest in something small, learn what you can from observing performance, then tweak it until you get something that seems to work. Patience is a virtue and life is not a race. Slowly increase your investment "height" so that you can learn new lessons along the way without wiping out your savings.
3. Learn by watching others (not the market). I am often amazed at how many people study the market to understand how to trade. That is like watching the crowd instead of the performer. Closely observe other experienced investors and learn from them. However, be wary of "pop" investors and of jumping on investment fads. If you can see a trend, you've probably already missed it.

It's payday - but not for the boss

Many enterprise owners underpay themselves, often to ensure they stay afloat

People start businesses for myriad reasons. It could be that they are following a passion or wish to take control of their lifestyles and schedules. Perhaps there's a level of demand for their products or services.

Also, unlike working for a boss, you are not dependent on others to either run the show or pay you for your efforts. At the same time, you have the flexibility to decide how much effort you'll put into your business and, hopefully, how much you'll earn.

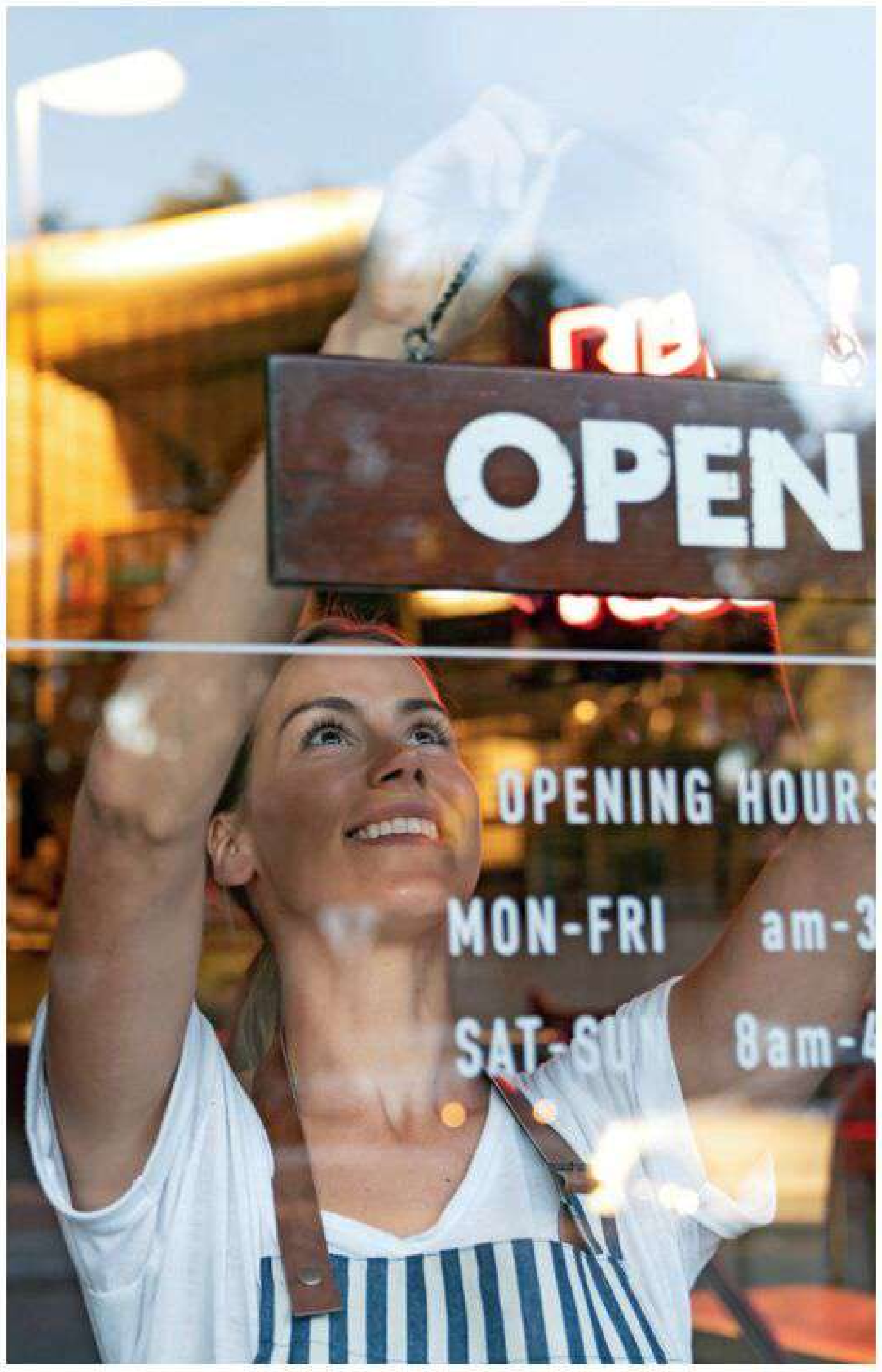
Still, the primary contention many owners face is the size of the pay packet they can take out of the business.

Unfortunately, it appears many SME owners aren't paying themselves enough, according to business coach Suz Chadwick. Through her research, Chadwick has discovered that around 45% of the small business owners fail to pay themselves enough – if anything at all.

She says the reasons owners aren't paying themselves a decent wage varies from "I'm not earning enough to pay myself regularly" or "My client load changes, so I pay myself what I can."

Others, according to Chadwick, fail to pay themselves because of fluctuating cash flow. Ironically, 74% of the owners she surveyed consider that they oversee profitable business – so go figure.

Business adviser Craig West, CEO of Succession Plus, says business owners often fail to pay themselves, either first or at all, for various reasons. "The most obvious is cash flow. When times are tough, they pay suppliers, rent and bills and then find there's not enough money to pay themselves at the end of the month.



"Sometimes it's tax-driven, where they need to pay themselves a low amount to stay under a certain tax threshold. And sometimes it's simply a desire to reinvest in the business to help drive its growth."

Anne Nalder, founder and CEO of the Small Business Association of Australia, says SME owners generally don't pay themselves because they can't afford it. "Also, some take drawings when money is available rather than reporting it as a wage."

Small business is doing it particularly tough in lockdown locations, notes Nalder. "Owners are trying to survive and therefore struggling to pay themselves. Their fears are well-founded as there is uncertainty with little clarity.

"Australia is being run as eight separate countries. The fear is genuine and consists of health, including mental health issues, lack of incoming revenue, the possibility of losing their homes or failing to comply with regulation due to their business barely surviving."

Impact on the value

Regardless of why SME owners may decide against taking a pay packet, this has severe consequences for the value of the business, warns West. "If you are not paying yourself a market salary, then a buyer will expect this money to be added back when they determine what your business is realistically worth. In many cases, businesses that look profitable but rely on the owner and often their family as free labour are not profitable at all."

West says it is critical to treat the owner as an employee and separate ownership, or equity, from employment, or income.

"For example, when you do the monthly pay run, the owner should be included at a market salary, the same as every other employee. If this is not achievable, then something is fundamentally wrong with the business's financial performance and needs its cash flow to be addressed first."

Using accounting software and professional advice to predict and manage cash flow is also valuable, says West. "Xero, for example, has recently released a module to help businesses see their forward cash flow and hopefully avoid issues like not being able to pay the owner an income."

The accounting platform's short-term cash flow tool takes all the relevant data from your bank accounts, bills and invoices to give you an up-to-date view of your cash flow in one place. Using this data, Xero estimates your bank balance 30 days into the future. The tool can also show you the impact of existing bills and invoices if you pay them on time.

Using Xero's tool, an SME owner can determine which invoices should be chased up and how cash flow changes if you pay a bill this week or postpone it for a period of time. This strategy might also help free some cash to make sure there's money to cover your next pay packet.

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

Add power to the estate plan

It's important to nominate a trusted person to make decisions on your behalf should you become incapacitated

STORY **MELISA SLOAN**

Many people think it's relevant to put a will in place and then tick off their estate plan. However, what would happen if you were in a serious car accident and ended up in the intensive care unit of your local hospital? You sustain brain injuries, your body is wrecked, you spend a month in intensive care and then go to a rehabilitation facility for an extended period.

Or perhaps you are out for dinner with friends having a joyous time and in the next instant you have a stroke, with the devastating effect that you are now totally incapacitated and can no longer make decisions for yourself.

Who will run your business? Who will look after your investments and other financial interests, including paying your household bills? Who will care for you and decide where you will live?

Most people do not like to think of these incidents happening as they are way too daunting and far removed from our daily lives – unless, of course, you know someone who has suffered a sudden debilitating change. We think we are all immune to this, that it happens to others, but the reality is it can happen to anyone.

So, it's crucial that you consider this eventuality as part of your estate plan and put the relevant documents in place so the people who make decisions on your behalf regarding financial, legal, guardianship and medical issues if you can no longer do it yourself will be the people you want making such decisions for you.

If you don't put these arrangements in place, you are leaving everything to chance, and it may mean someone you would not want making decisions for you will be granted authority to make them on your behalf.

How does it work?

Many people think that you need to make provisions for these documents only when you get old. When you are older, you most certainly should put these documents in place, particularly as dementia and Alzheimer's are becoming more prevalent in our society as people live longer.

However, it is important to remember dementia and Alzheimer's are not just "old people" diseases.

Some years ago, I acted for a client – let us call her Monique. She had extensive business and investment interests: an appointor of several discretionary trusts, a director and secretary of various entities, the unit holder of a number of unit trusts. She was also a dedicated and loving mother to seven children; the youngest attended primary school with the rest were in secondary school.

Two years after putting her extensive estate plan in place, we were contacted by Monique's husband and advised that she had dementia at just 46. Sadly, Monique's health deteriorated rapidly, and it was not long before she could no longer remember her young children's names and could not operate properly as a member of her family.

A full-time carer was hired to look after her, and the family also acquired a nanny to care for the younger children as well as assist with transportation to school,

sport and other after-school and weekend activities - activities that Monique had attentively attended to before dementia diminished her health. Monique's family were fortunate that they had the funds to afford such assistance, particularly since her husband now had the sole responsibility of looking after the various business interests.

Crucially, as Monique had taken the time to put in place a well-considered estate plan, her power of attorney could be used extensively for both her business and personal interests, so they were not impacted significantly.

If Monique had not put a power of attorney in place, it would have been a totally different story – her condition would have had the capacity to impact her business interests in the short term and potentially lead to family conflict and no doubt enormous stress. This was a small positive out of a shocking diagnosis. Monique's young family and her husband suffered as her health continued to deteriorate; she was no longer the person they knew and, devastatingly, at 52 she passed away. Monique's story shows dementia can happen at any age.

It pays to be prepared

Around the same time that Monique was diagnosed, a friend contacted me about one of her colleagues. She and her husband, Tom, had separated just over 18 months before. They shared custody of their two young children and were in the process of finalising their divorce and property settlement with the court. Then disaster struck: at 42, Tom had a massive stroke, which rendered him permanently incapacitated. He could not communicate, he could not walk and he had limited movement. He needed full-time care for the rest of his life.

Tom had no estate plan in place, so he had not made provisions for a power of attorney. He was recently separated with two young children and a relatively fractured maternal family. Given the unexpected deterioration of Tom's health and the emotions involved, cracks started to show among his siblings and parents. They were in conflict over who would be the best person to care for Tom and his financial and legal interests.

In Victoria, where Tom resides, if someone can no longer make decisions for themselves and do not have a power of attorney in place, application needs to be made to the Victorian Civil and Administrative Tribunal (VCAT) for a guardian and administrator to be appointed to make decisions on their behalf. In Tom's case, three interested parties made an application to VCAT to be appointed both guardian and appointor.

Based on the applications, Tom's medical records and other relevant information submitted, a determination was made. The VCAT representative making this decision did not know Tom nor did they have any idea of who he would want to care for his needs. If you were in Tom's situation, would you wish for such a decision to be made by a person you have never even met? The VCAT application made on Tom's behalf – which created conflict and stress and took considerable time – could have been avoided if he had put in place the relevant power of attorney documents while he had the capacity to do so.

Tom's story is devastating. His wife and children were also severely impacted as court proceedings had not been finalised and she was consequently left financially disadvantaged to bring up their two young children alone.

Which one do you need?

There are different types of power of attorney documents, depending on which state or territory you reside in and where your assets are held. The most common are:

- A specific power of attorney is usually put in place for a specific purpose – for instance, you intend to sell a property and wish someone to act on your behalf in the sale process. Once that purpose has been satisfied, the power of attorney is redundant.
- An enduring power of attorney is the most common document. In some states and territories, it relates solely to appointing someone to make financial and legal decisions on your behalf, while in other states it allows your attorney to make financial, legal, medical and personal decisions on your behalf.
- Enduring guardianship is a document that allows you to appoint someone to make medical and personal decisions on your behalf.
- An appointment of medical treatment decision maker allows you to appoint someone to make medical and lifestyle decisions on your behalf.

Who should you appoint?

Choosing who to appoint as your attorney is a very personal matter. It really comes down to who you trust to make the best decisions for you in accordance with your wishes.

In most cases, a married couple will have each other as their attorney in the first instance. If their spouse is unable to undertake the role of attorney for whatever reason, then they may appoint one of their adult children, a sibling, a parent or a close friend.

It is common for people to appoint different people for each document. For example, you may have a child who is financially savvy and understands investments and legalities surrounding finances and property; you may wish to appoint them to exercise your enduring power of attorney. But this child may be emotionally disconnected from medical matters and so you may be inclined to appoint someone else to be your medical treatment decision maker.

In a number of the power of attorney documents, you may also appoint more than one attorney, should you wish. They may act jointly or jointly and severally, and it is important that you stipulate the manner in which you would like them to act on your power of attorney documents.

WHAT CAN HAPPEN WHEN YOU DON'T HAVE A POWER OF ATTORNEY

This is an important question and one that I wish people knew the answer to so that they clearly understood the importance of putting these documents in place. Put simply, if you don't have them in place and you can no longer make your own decisions, you – or, more to the point, your family or loved ones - are in a pickle.

Each state has its own body or tribunal where someone, normally a family member or close friend, would have to apply to be appointed to make decisions on your behalf with respect to your financial, legal, medical and guardianship needs.

Some years ago, I acted for two adult sons. Their father, who we shall call Bill, had suffered several falls at home. His much younger second wife determined she no longer wished to care for Bill and returned overseas to her home country to reside. Bill was taken to hospital because of his injuries and tests were conducted to ascertain the cause of these frequent falls, together with other cognitive issues that were of concern.

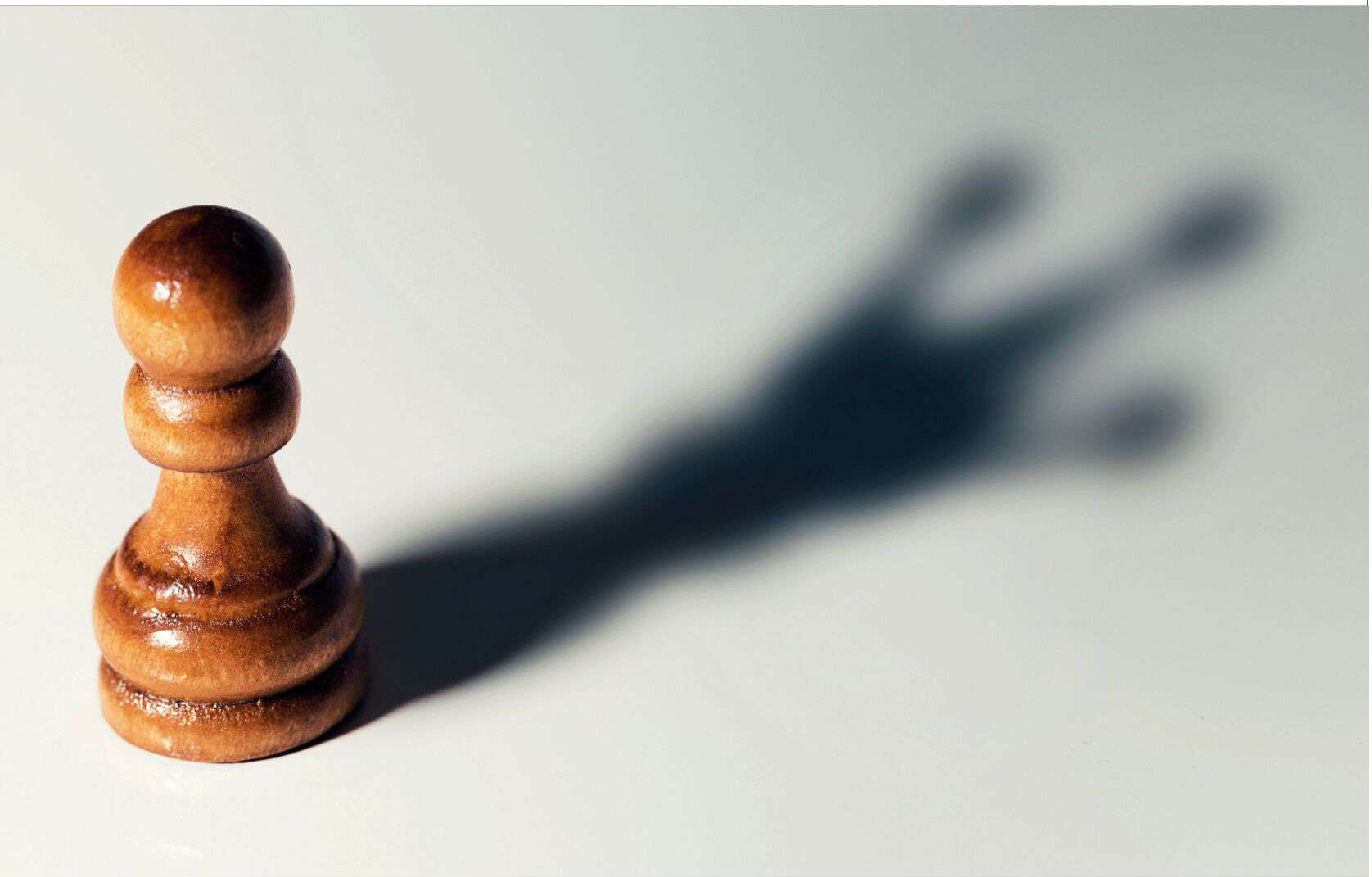
On receiving the results of the tests, the medical specialists determined that Bill no longer had the capacity to care for himself and make his own decisions. Given that Bill no longer had the capacity to put in place a power of attorney and he was a Victorian resident, his sons had to make an application to VCAT to have them appointed administrator and guardian.

The medical advice stipulated that Bill could no longer care for himself in his own home, and with no family member being in a position to have Bill reside with them due to extensive work commitments, the sons searched for a suitable nursing home. A home, with a rare available opening for a new resident, was located, much to the family's relief. However, as with most nursing homes these days, one of the entry requirements was that a valid enduring power of attorney was required on acceptance to the nursing home. Bill did not have the converted document, so was refused admission until an administrator and guardian were appointed by VCAT.

Given the time it took to prepare the appropriate document and obtain the reports from medical staff and social workers that VCAT required to be submitted with the sons' application, together with a backlog in the tribunal's hearings, it was a number of weeks before the sons obtained an order appointing them as their father's administrator and guardian. Bill remained in his local hospital during this time; after the VCAT order he was finally able to be moved to his nursing home.

As you can see, this is a complicated process and can cause undue stress on family members and loved ones. Fortunately, in Bill's case he had family members who were looking after his best interests and were able to make solid decisions about his care, finances and legal matters. Not all people have that luxury, especially when it is ultimately in the hands of the tribunal in determining who is the best person to look after your interests.

I often compare power of attorney documents with insurance. You put them in place and hope that you never need to use them – they are there just in case. The reality for most of us is that there are certain people we would like to care for us if we were no longer able to care for ourselves and make our own decisions. Power of attorney goes a long way in providing peace of mind that we are covered. ***M***



When does it take effect?

The date that a power of attorney commences can vary between states and the information contained in some of the prescribed forms. Generally, a power of attorney can come into effect immediately upon signing your document or it can come into effect when you are deemed to no longer have the capacity to make your own decisions. In most cases, the power of attorney forms allow you to stipulate when you would like these powers to commence.

There are arguments for and against your power of attorney commencing immediately. If you are someone who travels extensively and operates your own business, you may wish for your spouse to have the authority to sign important documents while you are away.

We have several elderly clients who have limited mobility and do not have internet banking or are not comfortable using technology. They often rely on their children or another trusted person to pay household bills or do their banking, so having a power of attorney in place assists their attorney in attending to these tasks. This also allows their attorney to communicate with government agencies such as Centrelink or utility and service companies on their behalf should the person wish them to do so.

Alternatively, you may deem that it is not necessary for your power of attorney to come into effect immediately and you may wish for it to commence only if you become incapacitated and can no longer make your own decisions.

In addition, some states require you to register power of attorney documents, particularly for land and property transactions.

Melisa Sloan has more than a decade of extensive experience in legal practice. Before establishing Madison Sloan Lawyers, she was a senior associate at a boutique law firm with a strong wills and estates practice and managed the firm's probate practice.

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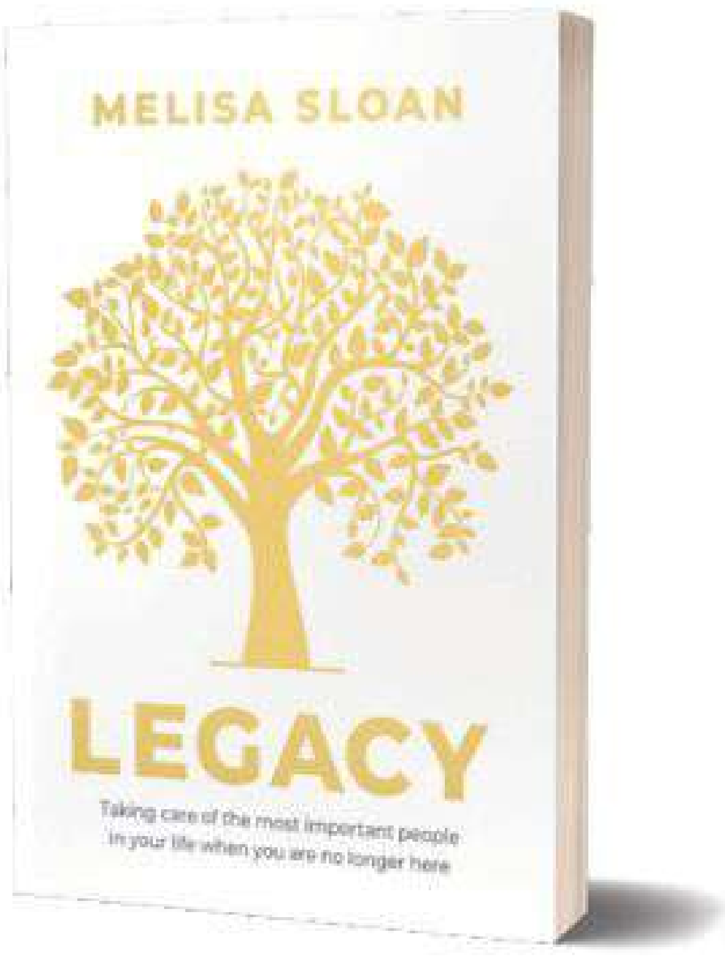
MELISA SLOAN
LEGACY
Taking care of the most important people in your life when you are no longer here

This is an edited excerpt from *Legacy: Taking Care of the Most Important People in Your Life When You Are No Longer Here* by Melisa Sloan (Publish Central, $29.95). To win one of five copies, tell us in 25 words or less what concerns you most about what will happen when you're no longer around for your loved ones. Enter online at moneymag.com.au/win or send your entry to *Money* magazine, Level 7, 55 Clarence Street, Sydney, NSW, 2000. Entries open on October 25, 2021 and close on December 1, 2021.

Money
CREATING FINANCIAL FREEDOM

Small changes can give your superannuation balance a big boost!

Money's **SUPER BOOSTER** project is taking place over October and November 2021, and we have plenty of resources to help you make the right decisions when it comes to your super.

Visit the Super Booster hub at moneymag.com.au/super

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Don’t settle for a default

STORY NICOLA FIELD

While many workers are happy for their boss to choose a super fund, it can pay to check out the alternatives

The superannuation system is worth a hefty $3.3 trillion. Each quarter, a further $30 billion is added to the pool. Yet despite the tsunami of cash flowing into super, 14 million Aussies have left it to their employer to select their fund. In many cases, these “default” funds are MySuper products – simple, low-fee funds that provide the basics in insurance and invest members’ money in either a single diversified or lifecycle option.

Strict rules surround how your boss can select a default fund. Even so, it’s a fair bet that your boss’s views about what makes a good fund may differ from your own, especially when it comes to something as personal as investment choices. More to the point, the regulator APRA recently reviewed around 80 of the nation’s MySuper products, slapping 13 with an “underperformance” result. So, now is a good time to review your default fund no matter whether you’re a boss or a worker.

Employer responsibilities

Picking a super fund for your staff is a big responsibility, and it shouldn’t come down to a toss of the dice.

Glen McCrea, deputy CEO of the Association of Superannuation Funds of Australia (ASFA), says an important starting point is knowing whether your employees are covered by an award or enterprise bargaining agreement that requires your business to use a particular fund.

As a guide, REI Super is the main fund for the real estate industry under the Real Estate Industry Award. So, if employees don’t nominate a fund, real estate industry employers must select REI Super as their default fund. The website of Industry Super Australia has an online default fund finder that lets employers track down the fund listed in industry awards.

Where awards or enterprise bargaining agreements don’t apply, the tax office sets out clear rules for employers selecting a default fund. “Employers need to make sure the fund

Fund "stapling" to cut duplication

The situation for employers changes slightly from November 1, 2021, when "super stapling" takes effect – this is something that's designed to help prevent workers starting a new default fund each time they change jobs.

"From November 1, if a new employee does not select a super fund, employers will be required to check with the tax office whether they have an existing super account (that's their 'stapled' fund)," says McCrea.

"If the new employee has a stapled super fund, employers will be required to pay compulsory super contributions into this account rather than the business's default fund."

Super stapling doesn't impact existing employees. It only applies to new hires.

The initiative may mean more work for employers, but it is expected to cut the number of duplicated super accounts by 500,000.

is a complying super fund – that is, it meets regulatory requirements and obligations," says McCrea. "They also need to ensure a fund is registered with APRA to offer a MySuper product.

"Next, the fund an employer selects needs to be appropriate for their employees. Factors like low member fees, consistent performance over the long term and the value of the insurance offering are all considerations."

Even with these boxes ticked, there is a vast number of funds to pick from. Fortunately, the tax office has an online Super Fund Lookup tool that employers can use to check a fund's credentials. It also ranks MySuper products by fees and net returns.

Matthew Hoang, associate financial planner with Active Super, points to additional factors employers can consider. "Employers should look for a super fund that offers services to their employees directly to ensure they are receiving the most value. Services can include direct worksite visits for seminars or one-on-one appointments with employees about super and/or retirement."

Ease the burden

From an employer's perspective, it can be attractive to select a fund that streamlines the process of paying super contributions – one that Hoang says can be easily integrated into the business.

"Each super fund would usually have business development managers or client relationship managers that have a deep understanding of the fund's superannuation offering as well as other services like super clearing houses to handle contributions," he says. "These representatives can answer any questions an employer might have and, if chosen as the default fund, will work closely with employers to ensure the onboarding experience is as smooth as possible."

While employers can discuss facts about the default fund they've chosen, they cannot offer advice to employees about which fund to choose if they ask. It's a big no-no as it means giving unlicensed financial advice.

Workers can compare funds

It seems plenty of Australians aren't just happy for the boss to choose their super fund; many also have tremendous faith in their employer's selection.

A survey by Sunsuper found that among workers who are with their employer's default fund, one in four trusts their employer chose a good fund for them. However, one in three is clueless about whether their employer's choice was suitable or not.

So, how do you know?

McCrea says workers can compare funds using the same tax office Super Fund Lookup tool that's available to employers. "It is also possible to log into the myGov portal and compare the performance of your existing fund to other super funds."

Another strategy, says Hoang, is to take the "LIIPS" approach, comparing funds based on low fees, investment options, insurance, performance and services. "This might help people identify the key factors that align with their goals and interests."

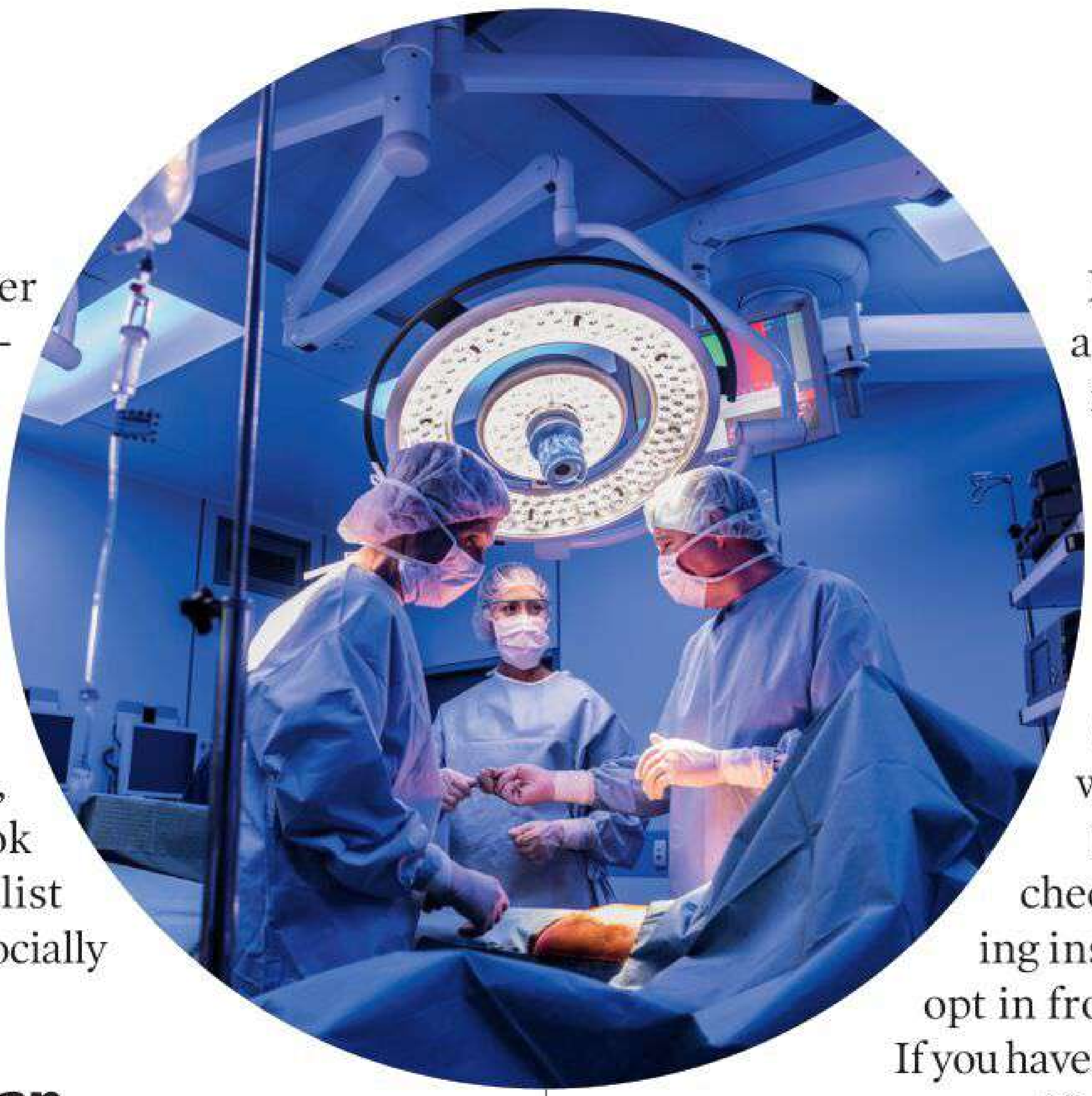
Consider the options

Part of choosing a fund involves selecting how your retirement savings are invested. But with funds often having a broad menu of options, it can be confusing to know which style is best-suited for you.

Most Australians have their super in a "balanced" style of investment, which typically means a strong weighting in shares. That's not a bad thing as shares and other growth assets have historically delivered much higher returns than more conservative investments like cash or fixed interest (see table). The downside is that shares tend to be lively and returns can vary widely from one year to the next.

Hoang says two factors that can help you pick an investment option. First, is your time horizon. "Put simply, your time horizon is how long you have until you can access your super or need access to your super. A longer time horizon gives you the opportunity to invest in higher-growth options, as you have time on your side to ride out market volatility and benefit from long-term growth."

The second factor is how you feel about risk. "Growth investment options tend to have more volatility, whereas a more defensive allocation has more stability," says



Hoang. "If you lose sleep over volatility in your superannuation portfolio, it may be appropriate to rebalance your portfolio to your level of comfort."

Kirby Rappell, CEO of the SuperRatings consultancy, adds another dimension of choice around investments, saying that it's worth a look to see if a fund offers specialist investment options such as a socially responsible option.

Avoid the returns trap

It can be tempting to choose a fund based on returns. The catch is that past results are no guide for the future. That said, some funds can be consistent chain draggers. The table sets out the median returns for different investment options – from capital stable (also known as defensive or conservative), to balanced and growth, over a range of time spans. This can provide a benchmark to see how your fund has shaped up over time.

Investment returns certainly shouldn't be the only thing to weigh up. "Superannuation is bigger than just returns," says Rappell. "It's a good idea to consider a variety of factors such as fees, investment choices and insurance when deciding whether a fund is right for you." In fact, fees and returns should be looked at in tandem as a fund may invest in more costly assets to generate higher returns.

What if you want to switch?

As mentioned earlier, workers employed under certain industrial awards or agreements may not be eligible to choose a fund. Most of us can, though, and the process of switching from the boss's default fund to a fund of your choosing is not hard.

ASFA's Glen McCrea says the starting point is to complete a "superannuation standard choice" form. "This can be completed online via myGov or in some instances through your employer's payroll software." "Alternatively, the standard choice form can be downloaded from the tax office website and completed before being handed to your employer."

Check your insurance

Before bailing out of a default fund, look at the insurance offered through your old fund. Most funds automatically provide life cover and total and permanent disability (TPD) insurance. But not all automatically provide income protection cover – you may need to opt in.

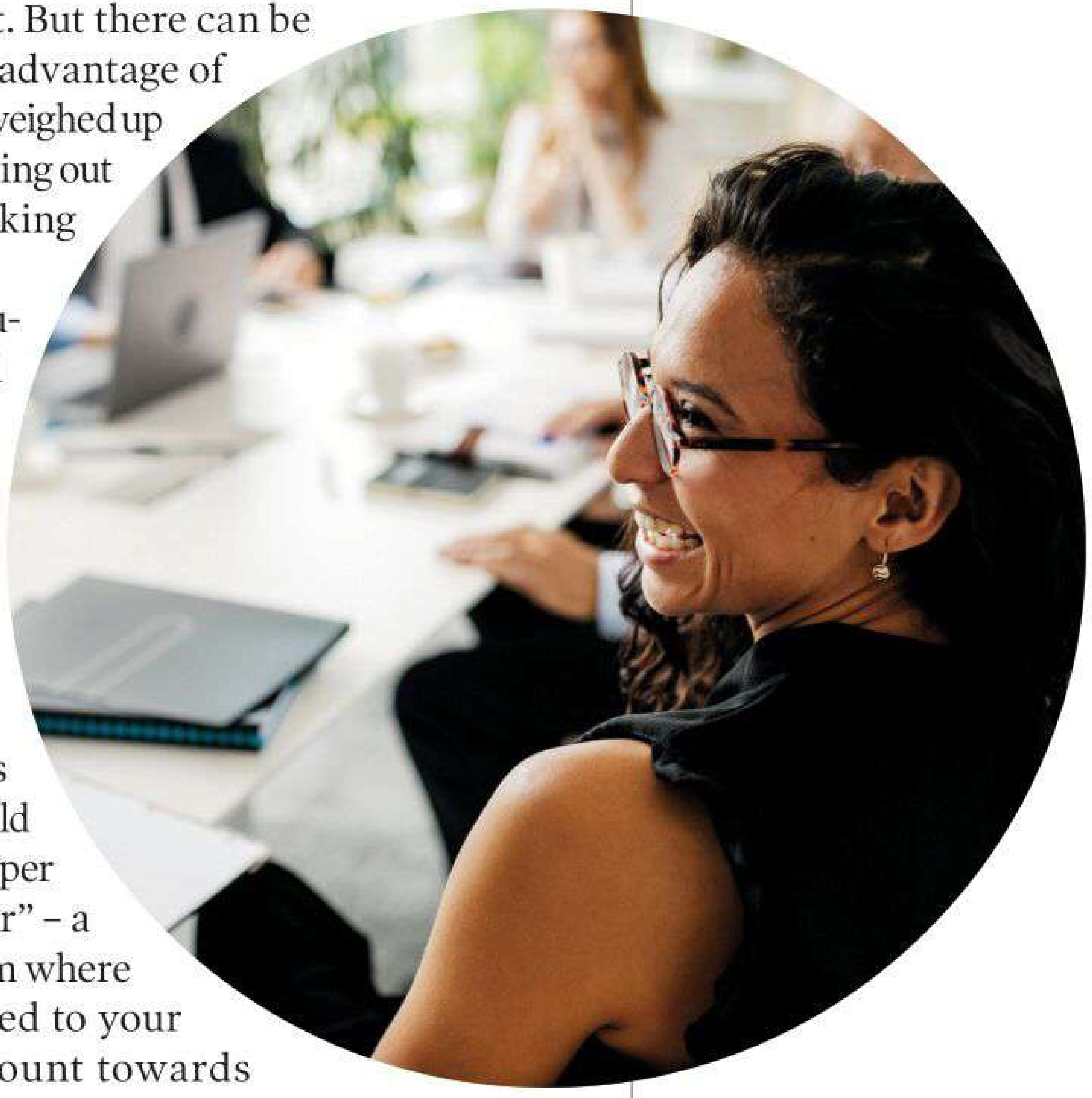
If you're aged under 25 and join a super fund for the first time, insurance may not automatically be provided.

Even if you're 25 or older, when you join a super fund for the first time you'll need to have at least $6000 in your account before insurance cover will be automatically provided. McCrea also recommends checking the conditions surrounding insurance, including the need to opt in from the outset."

If you have a pre-existing medical condition or are over age 60, you may not be able to get the cover you want.

Enjoy the extra perks

Your super fund is first and foremost a place to build savings for retirement. But there can be benefits you can take advantage of today. These should be weighed up if you're thinking of bailing out of a default fund or picking a new one.



Most funds offer educational seminars and plenty provide in-house financial advice. Others offer extra perks.

Sunsuper's Dream Rewards program lets members pocket discounts on a variety of purchases, from groceries to gym membership. Guild Super and Child Care Super both offer "Supersuper" – a shop-and-save program where cash rewards are added to your super balance and count towards after-tax contributions. **M**

Accumulation returns to August 2021 for different super investment options

Investment option	1-year	3-years (pa)	5-years (pa)	7-years (pa)	10-years (pa)
Capital Stable Index	7.8%	4.6%	4.6%	4.8%	5.5%
Balanced Index	18.2%	8.0%	8.6%	8.1%	9.0%
Growth Index	22.1%	9.3%	9.9%	9.1%	10.1%

Source: SuperRatings estimates

SUPER **Vita Palestrant**

Tell the truth, the whole truth

Investment labels such as 'balanced' don't always mean what they suggest

Super fund members rely on labels such as growth, balanced, conservative and cash to help them choose an investment option. They match their risk profile and goals with the most suitable product. But how true to label are the options?

Each has a different exposure to growth and defensive assets. The growth option aims for higher returns and invests in more volatile assets such as equities and property. The cash option is least risky, but also less rewarding.

But since the introduction of super, options have taken on a life of their own as funds compete for members and a bigger slice of the industry's $3.3 billion pie.

What are members to make of labels like alternative growth, conservative balanced, sustainable balanced, balanced growth and capital stable, to name just a few? It's challenging enough for researchers, let alone the layperson .

Yet members are regularly urged to compare their product with others on the market and ditch it if it's underperforming. Confronted by so many confusing labels, what are their chances of comparing apples with apples?

Consumers generally expect the product to be true to label and assume there is a standard definition somewhere that determines its asset allocation. But they couldn't be more wrong. The default balanced, or MySuper, option, where most members have their money invested, isn't spared any of the confusion.

"Traditionally the balanced option was 50% growth and 50% defensive, while growth was 70% growth 30% defensive, and capital stable 30% growth and 70% defensive," says Mark Berry, a director of Berry Actuarial Planning.

"But over the years the growth portion grew as it delivered higher returns as expected and funds did not rebalance back to the original benchmark."

In other words, the balanced option is no longer that "balanced", with exposure to growth assets and risk creeping up much higher over the past 20 years or so.

Asked how widely growth asset allocations vary from super fund to super fund, Berry says benchmark balanced allocations can vary from 50% growth up to 85%.

To add to this complexity, there is no definition for what a defensive or growth asset is. “Some funds will argue that property and infrastructure type assets, which have long-term leases in place, are defensive whilst others would see these as growth pointing to the level of gearing,” he says.

So, what can fund members do?

Xavier O’Halloran, director of Super Consumers Australia, says as things stand consumers need to look beyond the labels. “Disclosure around risk is one of the trickiest things for consumers to engage with. The research shows people have a limited understanding of what risk means.”

He says the super industry hasn’t helped by using labels that don’t make much sense to non-experts.

“For example, people might expect a balanced option to have a roughly even mix of growth and defensive assets. The reality is most balanced options tend to have a greater proportion of growth assets.

“This might be an appropriate investment strategy for most members in the fund, but the language used is very confusing for those looking to compare options.”

O’Halloran says at some point the federal government will have to deal with this.

“They are going to have to find some way of communicating better around what is actually inside these products so consumers are comparing apples with apples.

“Truth in advertising is one of the most important consumer protections. People need to be able to trust that businesses are telling the truth; if they can’t it threatens the fair and efficient operation of the market.”

Aside from asset allocations, O’Halloran says super funds also need to be more transparent about their underlying portfolio holdings. “At the moment, Australia is pretty far behind the rest of the world when it comes to disclosing what is in a super product. Only a handful of funds fully disclose what they are invested in.”

He says an independent review in 2010 called for greater disclosure about what super funds are invested in. “More than a decade later we still don’t have regulations in place to make this happen. But it’s not all bad news, in August the government consulted on some new regulations which would require funds to disclose their investments, which is welcome progress.”

He also welcomes news that the regulator ASIC is reviewing the claims made by investment managers about the environmental, social and corporate governance (ESG) credibility of their products. This investment option has become increasingly popular, particularly among millennials. However, there is the potential for funds to over-represent the extent to which their practices are environmentally friendly, sustainable or ethical, referred to in the market as “greenwashing”.

“Our research has found fund managers take different approaches to ethical investing. Some divest from problematic companies altogether, while others will stay invested but try to change the direction of a company from within.

“For people who are interested in taking a more ethical approach to investing, it is important to ask your super fund what approach they are taking and ask them how this approach is leading to the change they want.

“An engagement strategy may work for some companies, but in others may not be effective. Likewise, the impact of divesting may be minimised if other investors are happy to step in and take up stock in less ethical options,” says O’Halloran.

NOW IT’S EASIER TO SPOT THE DUDS

The Australian Prudential Regulation Authority’s Your Future, Your Super Performance test released in August shows 13 of 80 MySuper products it assessed failed its performance test.

APRA wants dud funds to lift their game or act in their members’ best interest and “transfer members to another fund/product and/or exit the industry”.

Fund members are encouraged to use the comparison tool, administered by the tax office, to see how their MySuper product compares with others in the market. See ato.gov.au/YourSuper-Comparison-Tool.

Most fund members have their money in a MySuper product – either a balanced option or a lifecycle option. As its name implies, the latter changes its asset allocation, and reduces investment risk, as its member gets older.

Xavier O’Halloran recommends consumers use the tool to see how their fund stacks up. The MySuper test will be conducted annually and funds that fall short of their benchmarks for two years running will not be able to accept new members.

A Productivity Commission review showed the average worker’s retirement balance could be boosted by $660,000 by switching from the worst-performing funds to the best-performing fund.

APRA intends to add actual test scores to its tool by the end of the year.

Vita Palestrant was editor of the Money section of the Sydney Morning Herald *and the* Age. *She has worked on major newspapers overseas.*

Neighbours'

STORY **NICOLA FIELD**

Homeowners who band together to sell a mega-lot of land, rather than selling individually, can double their profits

There's a good to reason to be on friendly terms with your neighbours this festive season. They could hold the key to you making a fortune on your home.

Property prices have soared in the past two years. But if you want to make serious money selling your home, it can pay to think beyond your own four walls. Banding together with neighbours for what is known as a collective, group or amalgamation sale can mean pocketing super-sized profits.

Three years ago, a group of 20-plus homeowners in the Hills District of Sydney made headlines when they banded together to sell a 1.98 hectare mega-lot marketed as Hillsview Central (more on this later). Around the same time, nine homes in St Leonards, also in Sydney, sold to a Hong Kong developer for an estimated $66 million, giving each owner an average payday of $7.3 million. Melbourne homeowners haven't missed out on the action. Several years ago, a Chinese developer is believed to have paid more than $4 million for a 1692 sqm site in Bentleigh, created when four neighbours sold together to maximise their returns. At the time, Melbourne's median home value was around $568,000.

These sales have certainly triggered a trend. Samuel Schumann and James Nixon, directors of Raine & Horne projects, have handled a number of amalgamation sales. "We're seeing a lot more property amalgamations, especially among the downsizer demographic," says Schumann. "A couple of people in the same street will band together to sell to a developer, especially if the council allows construction of apartments."

Is your area suitable?

According to Stewart Bunn, chief communications officer of First National Real Estate, a quick look around your neighbourhood can suggest where it offers opportunities for a group sale. "If developers are already buying multiple houses around yours, and replacing them

big payday

with new apartments and townhouses, it's likely your location appeals to developers," he says.

However, James Nixon believes there are no hard-and-fast rules about which types of properties or locations are best suited to group sales. The real clincher is council zoning. And in many areas, zoning is being altered to allow the construction of medium- and high-density developments in neighbourhoods once restricted to freestanding houses.

"There can be a price advantage to amalgamation sales but it depends on local planning rules," says Schumann. A lot hinges on the floor to space ratio (FSR) – the floor area of a building in relation to the total site area: "If the FSR is, say, 5:1 with a height limit of 38 metres, it means a developer can go up 38 metres when building apartments."

Double your money

If the FSR and all the other zoning factors stack up, even a relatively small block has the potential to attract developer interest.

"We are looking at a site in Sydney's eastern suburbs – two homes in a nice area and a popular street, where local planning rules mean 30 apartments could potentially be built on the combined site, "says Schumann. "A developer will pay a significant upside for this sort of opportunity."

The good news is that it's not hard to know the rules surrounding your piece of land. In NSW, for instance, anyone can head to the NSW Planning Portal, enter their address and see the FSR and particular usages permitted for their block of land to work out if it is suitable for a group sale.

Where the property ticks all the boxes, the potential profits can be impressive. Raine & Horne Projects is managing the amalgamation sale of a triplex in Sydney's east. Nixon says that individually the homes are worth around $3.5 million. By banding together, the overall property has a value of $16 million-$18 million. This gives the owners the potential to almost double the money they could make selling their homes separately.

Keep it together

The hard part of a group sale can be getting everyone to come on board. And it's not always a case of the more, the merrier.

"The tricky part is reaching an agreement that commits everybody to selling together," says Bunn. "It is critical that everybody understands the playing field, the risks involved, the realistic value of their property, and the trigger points which would see anybody getting greedy and walking away from the deal, torpedoing it for everyone else."

If everyone is up for a collective sale, Nixon recommends contacting a suitably experienced agent. "Calling a developer direct means you're dealing with just one person and you may not get the best price – they're likely to try and drive the price down. An agent will understand the mechanics of the deal and have contacts across a number of developers. "

Given the scale of group sales, it can pay to look for an agent with a track record of handling multimillion-dollar sales and the skills to act as an advocate and spokesperson for a collective of owners. To find a suitable agent, Nixon recommends looking up "amalgamation sales" in your area. If there isn't a suitable local agent, a commercial agent should be your next port of call as they will be able to look at yields and costs per square metre.

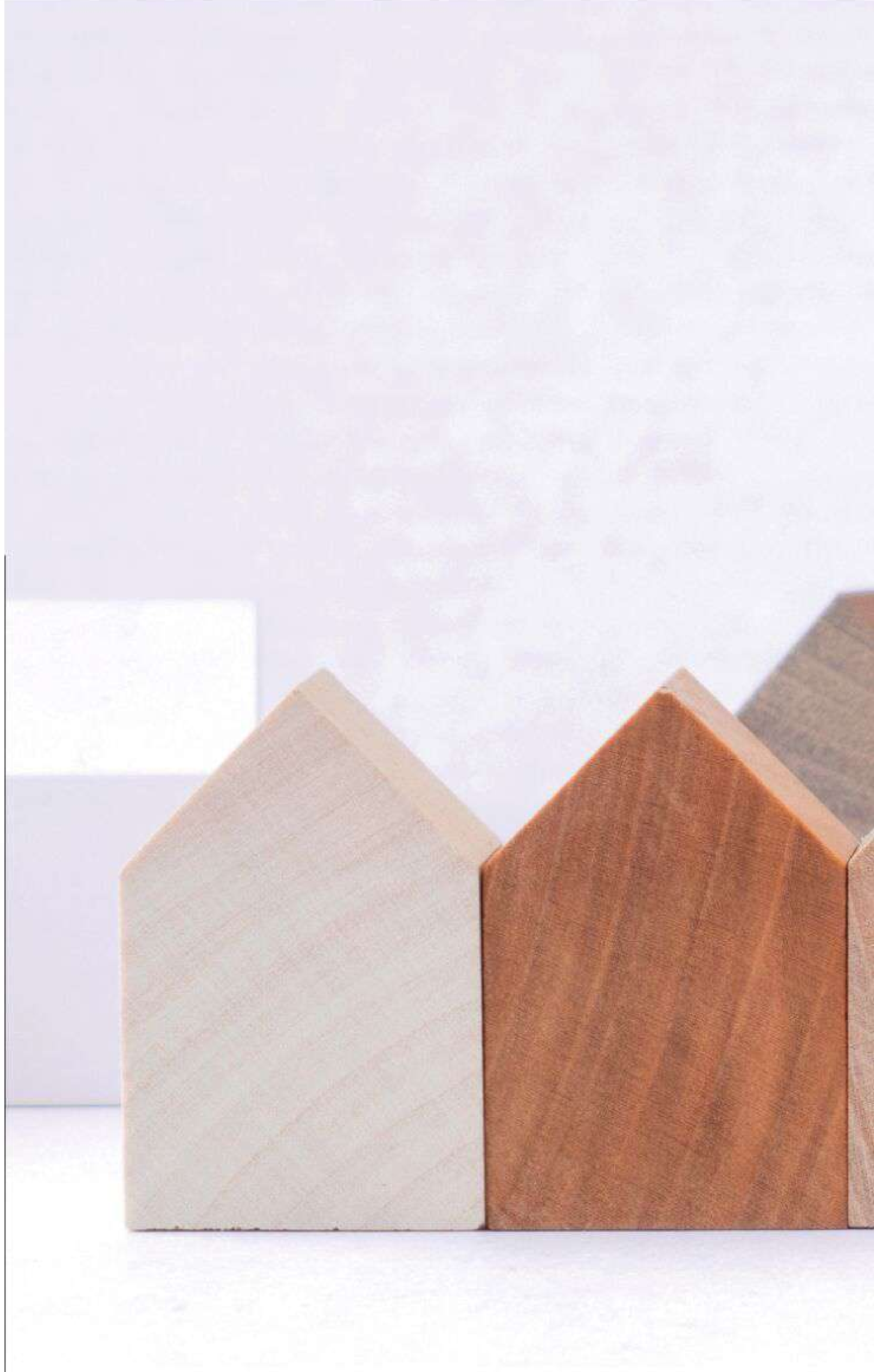
In terms of costs, the agent's commission shouldn't be much different from a normal residential sale, says Nixon, though how much you pay varies between agents. There may also be marketing expenses. "In some cases, amalgamation sales occur off market," adds Schumann. "But we recommend taking the sale to market as it can mean attracting the interest of a wider number of developers, including developers in other states."

Too late to back out

When it comes to group sales, the legal side of things can be less complex than the scale of the deal may suggest. Though, here, too it can pay to select a solicitor with experience in collective sales.

Schumann says it's important to have one lawyer represent all the property owners. A sale contract will need to be prepared before the property can be listed for sale; however, there is no need for individual owners to adjust their property title before the sale. "The special conditions of the contract will note that there are different titles and state that the purchaser is buying all the titles," says Schumann. "It's up to the developer to amalgamate the titles after the sale is finalised."

Bunn cautions, however, that there may be no escape clause for any homeowner, under any circumstances, once everybody has signed up to the deal. Bottom line: you need to be absolutely sure about what you're getting into.



Splitting the proceeds

While the question of how the sale proceeds will be divvied up can seem like fertile ground for dispute, Schumann says that in practice it tends to be a fairly cut-and-dried issue. "The proceeds are typically divided between owners in line with the size of each individual lot as measured in square metres."

When it comes to apartment blocks, Schumann says the sale proceeds are normally split in line with the number of entitlements per unit. These entitlements will be noted on the title deeds for each apartment as they are also used to determine the strata levies paid by each owner.

These methods of sharing profits may be clear-cut, but they can be galling for owners who've spent big sums of money renovating their home. It can mean a neighbour on a larger block with a rundown house could pocket a bigger share of the proceeds. However, as Schumann points out, a developer isn't interested in the quality of renovations. After all, the buildings are going to be knocked down.

What if I don't want to sell?

While a group sale can spell a valuable financial opportunity, it also has the potential to be divisive and even bring heartache.

If you're approached by a developer

Santa Claus may not be the only person who makes a surprise visit this Christmas. As pockets of undeveloped land become increasingly rare in inner and middle-ring suburbs, you could find a developer comes knocking.

If this happens, James Nixon of Raine & Horne projects, advises: "Do your research, and engage with an agent to be sure you are not limiting yourself to one offer from one developer."

When it comes to houses, owners don't have to agree to a sale. In fact, it's not uncommon to see mega-lots with telltale tooth gaps around boundary lines, where one or more owners have decided they don't want in.

But the decision to stay in a much-loved home can bring its own set of adverse consequences. In the short term it inevitably means living with noise and disruption while surrounding homes are demolished and a new apartment complex is constructed. Longer term, the character of a neighbourhood can be dramatically altered, and there is always the possibility that your home's value can be negatively impacted by the close proximity of a high-density apartment block.

The situation can be even worse for apartment owners depending on where you live. In NSW, legislation in place since 2016 means a 75% majority of owners can push ahead with a collective sale of the entire building even if some others want to stay on. Before this, just one dissenting owner could stymie the whole project.

The Northern Territory has permitted strata termination by a special majority vote (depending on the age of the building) since 2008. And in Western Australia, if an apartment block has five or more units, it's possible for the strata agreement to be scrapped and the building sold even if one or more owners disagree. However, the process can call for an independent review by the State Administrative Tribunal potentially making it a costly and complex exercise

In other states, including Victoria, apartment owners typically need to be unanimous about a collective sale.

A note of caution

The prospect of making a fortune on a group sale can be hard to resist. But there are no guarantees of success. The Hillsview Central mega-lot mentioned earlier, which attracted so much fanfare three years ago, is still sitting on the market.

It's also worth bearing in mind that group sales can have a lot of moving parts, and there's plenty of scope for things to go wrong. Collective sales may be relatively new in Australia, but they've been happening for some time in other parts of the world and they've generated their fair share of legal battles. In one Singaporean case, the court pointed to the "bitter acrimony and strained relationships" that can arise between neighbours in a group sale.

The upshot is that, yes, banding together can make you and your neighbours very wealthy. Just be careful it doesn't come at the cost of close-knit relationships that have been forged over many Christmas barbecues. ***M***

A little pain can be a good thing

STORY **PETER ESHO**

Lending restrictions to rein in booming house prices are prudent risk management

There are two things that impact Australian residential real estate prices the most. They are government policy and bank lending standards. Demand and supply are no doubt the ultimate drivers on price, that's not disputed. But if we take the logic further and look at what drives demand and supply, we usually always come back to the actions of the various government departments in managing supply and the actions of bank regulators in managing demand.

The two forces are effective in managing real estate price growth in Australia because we are also a relatively small market. The big four banks still control a vast majority of residential mortgages. There has been growth in smaller lenders, but not to the scale that you would see in the UK or US. Brokers are also a large distribution channel, which means regulators can make it harder or easier for a handful of banks and brokers with large effect.

So it's no surprise to hear bank bosses, particularly at CBA, starting to sound caution on house price growth. The big banks would prefer regulators to step in and apply some tightening – not too much, but just enough to make life even harder for smaller lenders who generally find market share in riskier loans.

Given the strong run in house prices over the past two years, particularly since the banking royal commission wound down and especially after the record low cuts to rates following the pandemic, we're likely to see more regulation around lending in the coming months. This will be effective in slowing down the rate of house price growth.

Regulators will have a wait-and-see approach. They'll start small: probably by the time this edition is printed and you are reading it, there will be some curbs in place. The economic recovery is still fragile, so they don't want to push too hard. Just enough to create some caution among ordinary borrowers that debt is not a free lunch and prudent risk management is important to the overall financial system.

If real estate prices continue running hard into summer and through the new year, we can expect another round of tightening in the first quarter of next year and so on.

Impact of tightening

According to property data firm CoreLogic, the first round of macro-prudential policy intervention in late 2014 didn't make an impact until mid-2015 due to the consultative approach adopted by the regulator APRA. By May 2015, the rate of home value growth had started to reduce, moving into negative territory between November 2015 and April 2016.

The second set of tightening came in March 2017, which involved a 30% cap on interest-only home loans. The impact of this policy setting was more immediate, resulting in the pace of home value appreciations slowing markedly from the date of implementation. As a consequence, national home values declined between late 2017 and early 2018.

Again, I expect to see the same staged approach: start small, monitor the impact and then adjust if required.

The one thing to note, however, is that the drivers of house prices this year are very different from the drivers in 2014-17. Back then investors were pushing the market higher. Sydney, for example, was the epicentre of investment activity, with investors comprising almost 56% of mortgage demand in early 2015. Because of this, house prices fell sharper than usual in Sydney.

Owner-occupiers and first-time buyers have so far been the drivers behind this current boom in prices. Investors are starting to come back, but the pandemic and economic disruption means confidence needs to recover before you see the same extent of investors back in the market. Early indications are that investor activity has picked up in recent months. But is it enough to scare the regulators? Perhaps just slightly.

Reserve Bank's problem

There is another difference from 2014-2017 and that is the Reserve Bank has very little room to adjust its interest rate policy to address the housing problem. The job would traditionally be easy. Higher prices would be offset by the central bank increasing rates a couple of times, sending a message of caution to the market and readjusting price expectations. But the RBA is in a very different position this time around.

It is forced to keep rates on hold because the rest of the economy needs cheap credit. Outside of residential housing, asset price growth is modest and inflation, particularly around jobs and wages, is sluggish. The RBA also needs to look to its global counterparts, particularly in the US, Europe and Asia. Monetary policy is holistic and it's much more convenient to have the banking regulators adjust the availability of credit to alleviate inflation concerns than use holistic monetary policy for one specific area.

There is a lot of debt in the financial system, particularly with governments, so rising interest rates could create a debt repayment problem too. The RBA is stuck between a rock and a hard place. Raising rates isn't what it used to be, particularly in a global environment where near-zero rates are the norm.

A marathon not a sprint

In September, when Evergrande, one of China's largest developers, was reporting debt problems and it hit the mainstream press, I wrote a note on the subject. A lot has changed since then and will continue to do so. My point at the time was that Evergrande's debt problems are a good indicator for any investors, small or large, of how debt can turn a great asset and investment into a toxic bomb if not used appropriately.

When times are good, nobody can see the consequences of debt. It's only when things turn overnight, for whatever reason and often not predictable, that vulnerabilities are exposed.

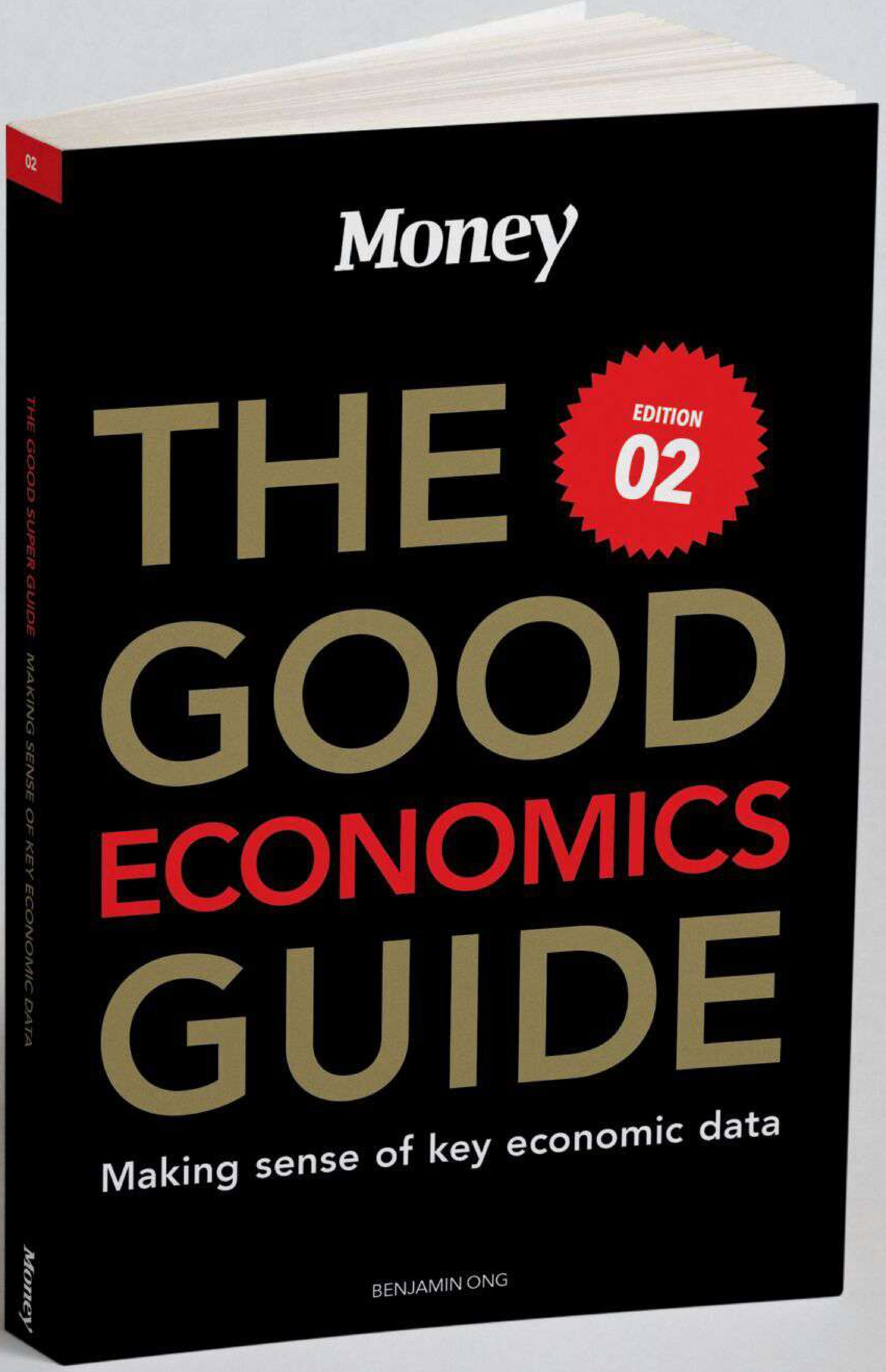
Think about debt very carefully and never hesitate to step back when times are good. Rising markets make us feel great, whether its stocks, real estate, crypto, etc. We feed into the hysteria and often over-indulge in debt. The smart money, meanwhile, is treading cautiously, not blind to the risks that lie ahead.

Investing is a marathon, not a sprint. When the leading pack is sprinting ahead, it's tempting to catch up. But the smart athletes will always pace themselves, leaving enough gas in the tank to complete the race.

Bank lending restrictions are a necessary pain that comes with investing. It's much more comfortable driving a car without a seatbelt, until you get into an accident. Let's use the same approach with our portfolios. As long as the tightening isn't overdone, I'd welcome new measures as prudent risk management. ***M***

Peter Esho is the co-founder of Wealthi, a real estate investment platform.

The complete economics guide for investors, students and finance professionals.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Another brick in the portfolio

Would-be investors don't need a fortune – as little as $250 is enough to get going

You don't need a lot of money to get a slice of the property investment pie. The high prices of individual properties, both residential and commercial, mean many people think investing in real estate is beyond them, but you can start a diversified portfolio for $10,000 or much less.

You can, for example, buy a fractional interest in a prime Sydney or Melbourne suburban residential property starting with just $250 through BrickX. Or you can buy a stake in a portfolio of commercial properties by investing as little as $500 in an Australian real estate investment trust (A-REIT) on the ASX.

Fractional owners have smaller capital outlays, diversification (because you can choose your own properties), no management hassles, liquidity and the benefit of detailed due diligence. On the downside, there are risks as well as fees, both of which investors need to understand. Carefully read the product disclosure statements (PDS) for any investment products you're considering.

BrickX (brickx.com) buys predominantly residential properties, which it expects to provide positive rental returns and which have capital growth potential, and divides each into 10,000 "bricks". It provides a lot of detail on each property online, including historical suburb growth statistics. You set up an account with a minimum of $250 and decide whether to choose the properties you invest in or sign up for the "smart invest" option, where your portfolio is chosen for you. With this option you set up a monthly direct debit from your bank account, a minimum of $50 after your initial $250 deposit, and "bricks" are automatically bought for you according to criteria, including only buying bricks that are priced at or below the brick value.

Owning bricks enables you to earn money in two ways: you receive your share of rental income, less expenses, each month and you can realise capital returns by selling your bricks when the value rises. You can list your bricks for sale at any time. Properties are valued regularly and you can keep tabs on the value of your bricks online. Every five years all brick holders of each property can vote to sell or hold the property.

Fees include a 0.5% transaction fee when you buy and sell bricks, an investment management fee up to 2% of the gross value of each asset, plus normal running expenses including managing agent fees, insurance, strata costs and repairs and maintenance, which are deducted from gross rental income. Performance fees may also be applicable and will be detailed in the individual PDS for each property.

Most properties are in Melbourne and Sydney, but there are some in other states. At the time of writing the lowest available price for individual bricks ranged from $37, for a three-bedroom home in Wyndham Vale, 30km south-west of the Melbourne CBD (this price was 21.23% above valuation), to $176 for a brick in a two-bedroom unit in the prestigious Sydney suburb of Mosman (2.61% below valuation). Net rental yields for all the properties available vary from 0.56% to 6.12%, with most being below 2.5%, so capital growth will be important to achieving higher returns.

DomaCom (domacom.com.au) enables investors with a minimum of $2500 to buy properties by pooling funds with other investors. The DomaCom Fund is a managed fund that allows investors to select from a range of properties, including residential, commercial, rural, retail, industrial and resort. Using a bookbuild process, the DomaCom Fund collects the funds from multiple investors interested in purchasing a property. When this is completed, the property is purchased and placed in a sub-fund. Due diligence on the property is completed by the DomaCom Fund when the bookbuild hits 30%-50% of funding. Any due diligence costs are passed onto the investors in the bookbuild.

You can create your own portfolio by selecting the properties yourself or you can choose one of the model portfolios, which have been pre-selected based on different investment strategies. Investors receive their share of returns from the property, usually rental income, after all costs. Capital gains – or losses – can be realised by investors by selling their share of the property to other investors via DomaCom's online marketplace, or by voting with at least 75% of other sub-fund investors to sell the property (or at least 50% of investors after five years).

Fees applicable to investments include those you would normally pay if you bought the property yourself, including valuations, inspections, conveyancing and checks. DomaCom charges a 0.88% management expense fee based on the annual value of the asset, including GST, and/or 0.22% of the value of the cash held. Performance fees may also apply and will be detailed in the individual PDS for each sub-fund.

Pam Walkley, founding editor of Money *and former property editor with the* Australian Financial Review, *has hands-on experience of buying, building, renovating, subdividing and selling property.*

STORY TRACIE ELLIS

The good, the bad, the costly

Lockdowns have triggered an outbreak of home improvement projects. These are the pitfalls to avoid.

With an increasing number of people in lockdown or confined to their homes this year, if you haven't already ventured down the path of home improvement, the chances are that it will be on the cards. Spending more time at home has allowed us all to scrutinise the areas of our homes that are missing the mark, or do not function as well as required. Home improvements will continue to be an option for investment; but rushing into projects without due consideration can be a hard way to learn your renovation lessons.

Before taking on a significant project yourself, make sure you have all the relevant information and are fully aware of the implications and responsibilities. Which are the DIY choices that will cost you in the short or long term?

Kitchen and bathroom

These two rooms are still winning the race when it comes to the renovating popularity contest. The desire to upgrade an existing well-functioning kitchen to a multi-functional indoor/outdoor masterpiece is highly desirable. An area that opens to an outdoor space lets in summer breezes while you cook and entertain and also provides the flexibility to close up for an intimate evening inside when inclement weather sets in.

Where this goes wrong is rushing into a project without considering the functionality of the space and load-bearing capacities of your home. It can have disastrous and costly flow on effects. The idea of taking a sledgehammer and knocking out that pesky wall feels like loads of fun.

However, there are consequences for taking out a load-bearing wall that connects to the floor, the ceiling and two other walls – this all needs to be considered. As do the continuity from one room to the next, the painting, electrical, flooring, and so on. While you may "only" be renovating your kitchen, you still need to maintain continuity through to the house.

Before delving too deep into the design of an indoor/outdoor space, discussion with a builder and/or engineer is essential. You can then decide whether:

- You should invest the extra cash so that the area can accommodate the new open plan; or
- You need to reduce the grandeur of your design and work within the limitations of your current structures.

Once you have an idea what your house can accommodate safely, or what additional funds are required, you will not make the mistake of running over budget when surprise infrastructure changes are required midway through.

Another costly mistake is extending the kitchen into the outdoors, using the same flooring in the kitchen and onto the deck. This looks so sophisticated but consideration is required when selecting the products. Not all flooring is suitable to run into outdoor areas. Speed bumps in flooring are not a good look. Also, laying flooring yourself may save a little in the short term, but this can be very costly when it goes wrong. Rarely can the product be reused with a professional installer. It will have to be bought again.

Other expensive mistakes by homeowners who take on a kitchen themselves are:

- positioning kitchen in direct sunlight
- cramming too much into a small space
- selecting appliances last
- planning limited counter space
- planning insufficient storage
- planning insufficient lighting for outdoors
- planning insufficiencies in plumbing
- neglecting to address new electrical plan.

Living room

Most improvements to living rooms have been made through upgrading furniture. With an open kitchen/living/outdoor entertaining space now very on-trend, care needs to be taken with your choices. The furniture you select to flow from your indoor to outdoor areas needs to be able to withstand the elements. Interior designers or stylists are certainly worth their weight in gold here. When choosing yourself, try to avoid costly mistakes such as:

- not measuring the room before purchasing an item
- lack of consideration of your lifestyle and functionality of products
- fabric selection when customising furniture – with young children, a heavy-duty commercial fabric makes more sense
- a bargain purchase may only last in the short-term and be expensive in the long-term to replace, so research your provider
- how much maintenance is required? Items with a high-gloss finish require more maintenance
- never buy everything at once
- never sacrifice comfort and practicality for how the piece looks.

Exterior improvements

Another area high on the agenda is investing in improvements to the home's exterior. This includes painting, landscaping and new boundary fencing.

Take fencing, for example. The most expensive mistake homeowners make is around a lack of planning. Before excitedly starting to dig, stop and consider issues such as:

- check your boundaries. You would be surprised how many people proudly build their fence on their neighbour's land and then have to scrap it and start again. It's costly and embarrassing
- always measure twice
- check the local council regulations, because not all fence types are permitted; and purchasing too much product will hit your hip pocket unnecessarily, as will not accounting for post-holes.

As with fencing, many homeowners think they will make savings by having a go at the "simple" painting component themselves. The most common downfalls in taking on this DIY challenge include:

- incorrect equipment
- incorrect strategy;
- not having even coverage
- not enough preparation
- wrong paint
- not using drop sheets.

Most homeowners who have tried their hand at painting never try it again. Unless you are a seasoned professional, it is monotonous and tedious work. You can generally see the contrast between a professional hand and a DIY hand. A professional painter will help you wind up the process and deliver exceptional results.

Shed conversions

Converting a garage or shed into a man/woman cave, home office or granny flat is a popular project. Council regulations should be checked before embarking on this journey. A development application is usually required. Assuming "she'll be right" will be to your own detriment. Unfortunately, this is the most costly mistake when converting a garage or shed, especially when changing the purpose to a "liveable dwelling". Side-stepping the rules will see you in receipt of a large fine from your local council. But if you adhere to the rules and regulations, this "Covid reno" will certainly add value to your home. At a minimum you will require a designer, builder and certifier.

Other items to consider are: termite protection, insulation/ventilation, waste disposal system, electrical plan and plumbing.

Engaging a professional for your whole project or parts of it will give you peace of mind, and you will be sure to meet any local council requirements. You benefit from their expertise and will not make costly mistakes through trial and error. Always allow a contingency of 5% of the cost, as no matter how much planning is done, there are always surprises, even with the most experienced team onboard.

Don't risk a budget blowout by starting a project too soon. Careful planning with experts will avoid any changes being made on the run, which are always hard on the hip pocket. Each project should have detailed design specifications containing all fixtures and finishes. Each element of the project can then be awarded to a contractor and you can decide what is within your limits and you will do yourself. This will keep your industry professionals and you and your budget on track. ***M***

Tracie Ellis is the CEO of Renovators Directory, a new platform that aims to bring together consumers and small business owners in the renovation sector. There are more than 100,000 businesses listed on the site, which has amassed more than 12 million views since its launch a year ago. See renovatorsdirectory.com.au.

Borrow to get ahead

STORY DAVID THORNTON

You can boost your returns by using someone else's money, but the payoff is not without risks

Borrowing to invest is par for the course for many Australians: achieving the dream of owning your own home requires, in most cases, a loan. But should you borrow for other investments?

Borrowing provides the potential, but not a guarantee, of generating greater profits than you would if you only used your own cash. In a perfect world, it will see you make money using someone else's money.

For instance, 15% growth on a $1000 investment funded with your own money is $150 in capital gains. However, borrowing another $1000 to invest doubles this gain. In addition, larger initial investments will compound to larger returns sooner.

Borrowed funds can also provide benefits that partially mitigate risk in your portfolio by lowering concentration risk through diversification.

"While borrowing to invest is often associated with residential property, it is also used by investors seeking diversification into other asset classes such as shares, exchange traded funds and managed funds," says David Morrissey, head of margin lending and online products at BT Financial.

In other words, if your portfolio is dominated by banking and commodity stocks, and you don't wish to sell any of your current assets, then you can borrow to invest in other sectors such as international shares.

"This can be achieved with the use of specialist facilities such as margin lending or accessing available funds within an investor's housing loan facility," says Morrissey.

Recognise the risks

Borrowing to invest will grow your wealth at a faster rate, so long as the market is going up. Down markets, on the other hand, wreak havoc on investments using borrowed money.

"The worst thing that can happen to an aggressive investor is to be forced to sell into a down market," says Michael Miller, a financial planner from Wealth Market.

Just as the potential for greater returns increases, so too does the potential for losses.

"One of the primary risks to understand is that while borrowing to invest can increase the potential for greater returns, it can also increase the potential for greater losses if the investments perform poorly," says Morrissey. "If the value of the portfolio falls, the losses could be far greater than if an individual had only invested their own money."

The risk of holding debt-funded investments during a down market depends on asset class and the nature of the loan.

Borrowing to pay off property is low risk, because a down market doesn't affect your repayments.

Shares will grow and give an income like property, and they've both performed almost identically over the past couple of decades, but the structure of the loans is different.

With investment property, you're renting out the property, so you can use income to meet the loan repayment. "In typical property secured loans, there's no way the lender can force you out," adds Miller.

Buying shares on margin is different. Margin loans are provided against shares or other assets. The loan is made based on a loan-to-value ratio (LVR): the amount of the loan divided by the shares or other asset used as security.

A fall in the value of the security will trigger a margin call, forcing you to either reduce your loan amount, contribute additional security or sell part of your investment until your LVR falls below the maximum allowed ratio.

When a fund has to sell

A similar dynamic applies to geared exchange traded funds.

"Internally geared funds have their own internal rules or gearing limits," says Miller. "In last year's downturn, we saw that there wasn't a lender that said you have to sell out, but they may have had to sell down assets because of their own internal borrowing limits. And they missed some of the recovery because of that."

This is much the same as a margin loan. The difference is that, during a sell-off, the investment manager may have to sell down the fund's assets to avoid exceeding its own borrowing limits.

Those considering borrowing to invest also need to factor in the interest rate on their borrowed funds. "Where interest rates rise that are linked to the borrowed funds, the interest repayments may be more than the investment returns, and a borrower may not be able to meet their repayments," says Morrissey.

Of course, risk can be managed. "One way to try and manage the risk of borrowing to invest is to diversify your investments within and across asset classes," he says. "This means spreading investments across market sectors, which may minimise the impact that poor-performing investments could have on the portfolio's security value. By ongoing monitoring of the investments, you can ensure your level of borrowing is appropriate for your situation."

By the same token, there's no point in being too risk averse. "It only makes sense to borrow to invest where you are investing aggressively," says Miller.

"Say you have $100,000. There's no sense investing it in a conservative fund and then borrowing to invest in another conservative investment when you could just invest the $100,000 in a high-growth option."

Tax benefits

Borrowing to invest can offer some tax benefits through negative gearing, when your income from the investment is less than the cost of the loan. This amount can then be applied as a tax deduction against your taxable income.

The difference between the two amounts can generally be used as a deduction on your taxable income. The benefit of any tax deduction depends on the investor's tax rates.

Debt recycling is another useful strategy that can provide tax benefits.

Margin lending: how it works

Kyle has $10,000 invested in shares. He decides to borrow $15,000 to invest in more shares through a margin loan. The total value of his shares is now $25,000.

Kyle's LVR is 60% ($15,000 divided by $25,000). The maximum LVR his margin lender allows is 70%.

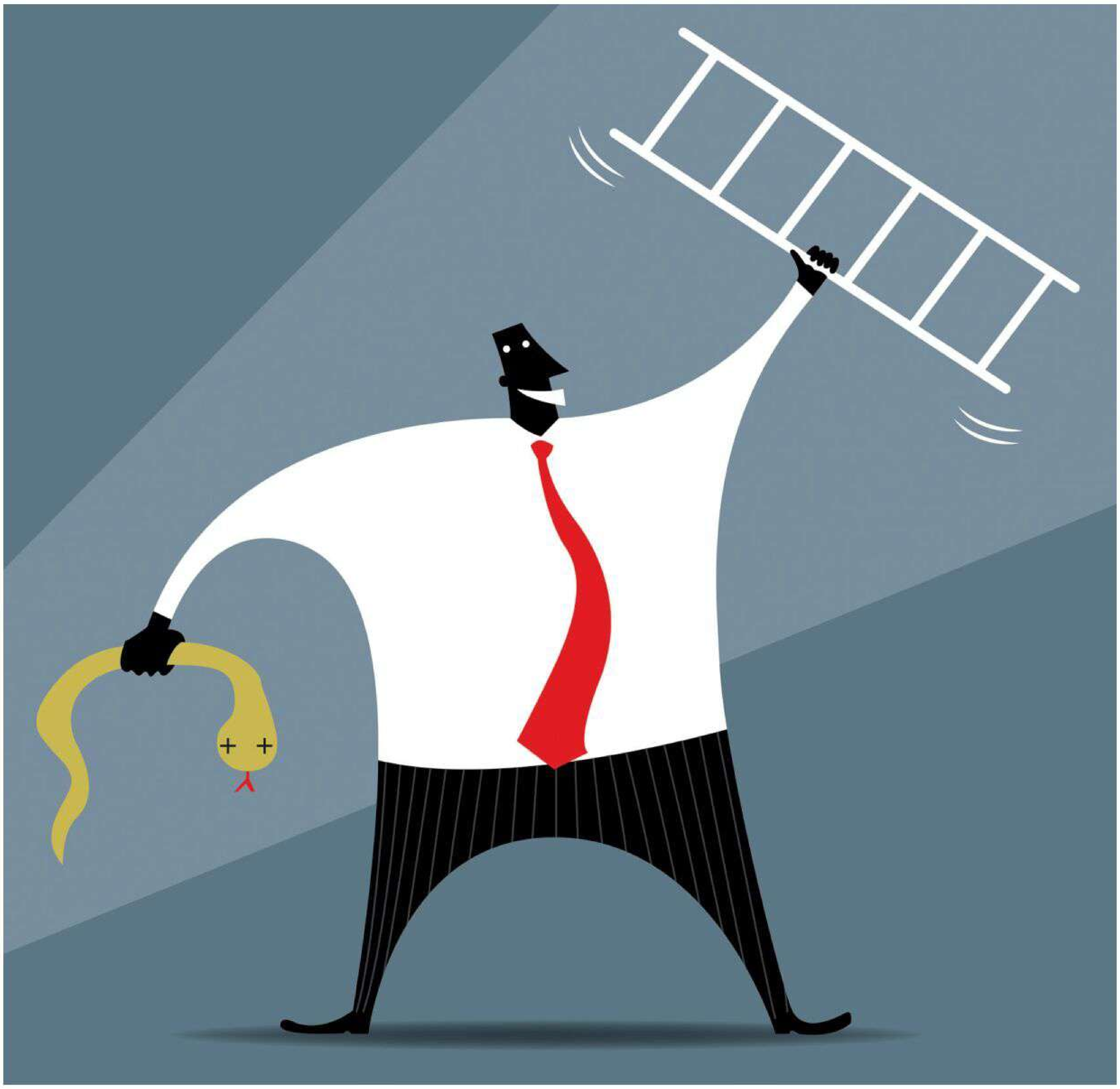
Kyle has invested in five mining companies. He's taking on a lot of risk as he's not diversified. After a fall in the price of commodities, Kyle's shares fall by $5000. The total value of his investments is now $20,000 while the loan is still $15,000.

Kyle receives a margin call from his lender as his LVR has increased to 75% ($15,000/$20,000). He has 24 hours to lower his LVR.

Kyle uses $2000 of his savings to reduce his loan balance to $13,000. This lowers his LVR to 65% ($13,000/$20,000).

He has money in a savings account ready in case he gets another margin call.

Source: ASIC



It involves replacing a mortgage on your own home, which is non-deductible, with investment debt, which is tax deductible.

"For some investors debt recycling is a viable tool used to convert non-deductible debt into tax-deductible debt," says Morrissey.

"This can be achieved through the use of borrowed funds to invest in place of their own funds. The investor's funds, which would have otherwise been used for investment, are instead used to accelerate the repayment of the investor's non-deductible debt, therefore reducing the non-deductible debt while building debt that may be treated as tax-deductible."

Plan for the worst

The saying "don't invest more than you're willing to lose" has extra significance when borrowing to invest. "This is not about creating a lot of wealth in a short period of time, or getting caught up in the latest trends," says Jason King, executive adviser at Viridian Advisory.

If volatility spikes, you need to be able to absorb it. Borrowing to invest is not for the faint of heart. "You can bench-test all the hypotheticals, but you need to have the experience of investing – understanding what quick losses feel like and whether you get caught up in buyer's remorse."

> Gearing is a strategy best suited to those who have enough income from other sources

According to the Australian Securities and Investment Commission, gearing is a strategy best suited to those who have enough income from other sources; are in the highest income tax bracket, where the tax deductibility of the interest payments is maximised so the cost of the borrowed money is reduced as much as possible; and are experienced investors, having a practical appreciation of the volatility of their investments and the risks involved.

If in doubt, seek professional advice. "A quality advice firm has to stress-test the ability for a client to sustain higher interest costs and adverse market events such as the GFC and Covid," says King.

At the end of the day, there are other, less risky ways to make healthy returns.

As the legendary investor Warren Buffett once said: "You really don't need leverage in this world much. If you're smart, you're going to make a lot of money without borrowing." *M*

Need help?

Useful numbers and websites

Australian Communications and Media Authority
1300 850 115
acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
accc.gov.au

Australian Financial Complaints Authority
1800 931 678
afca.org.au

Australian Securities and Investments Commission (ASIC)
1300 300 630
asic.gov.au

Australian Securities Exchange
131 279
asx.com.au

ASFA
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
superannuation.asn.au

CPA Australia
1300 737 373 (within Australia)
+61 3 9606 9677 (outside Australia)
cpaaustralia.com.au

Do Not Call Register
If you want to reduce telemarketing calls
1300 792 958
donotcall.gov.au/contact-us/contact-details

Fair trading/ consumer affairs
ACT: 132 281
NSW: 133 220
NT: 1800 019 319
QLD: 137 468
SA: 131 882
TAS: 1300 654 499
VIC: 1300 558 181
WA: 1300 304 054

Financial Counselling Australia
1800 007 007
financialcounsellingaustralia.org.au/contact

Financial Planning Association
Listing of financial advisers
1300 337 301
fpa.com.au/about/contact-us

Human Services (formerly Centrelink)
Families: 136 150
Older Australians: 132 300
humanservices.gov.au

illion
For a copy of your credit report
132 333
illion.com.au

Legal Aid advice (free)
ACT: 1300 654 314
NT: 1800 019 343
NSW: 1300 888 529
QLD: 1300 651 188
SA: 1300 366 424
TAS: 1300 366 611
VIC: 1300 792 387
WA: 1300 650 579

My Credit File
For a copy of your credit report
138 332
mycreditfile.com.au

myGov
Track down lost super
1300 169 468
my.gov.au

Seniors Card
ACT: (02) 6282 3777
NT: 1800 441 489
NSW: 137 788
QLD: 137 468
SA: 1800 819 961
TAS: 1300 135 513
VIC: 1300 797 210
WA: (08) 6551 8800 (metro) or 1800 671 233

Superannuation Complaints Tribunal
1300 884 114
sct.gov.au

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MANAGED FUNDS Max Riaz

What the Evergrande crisis means

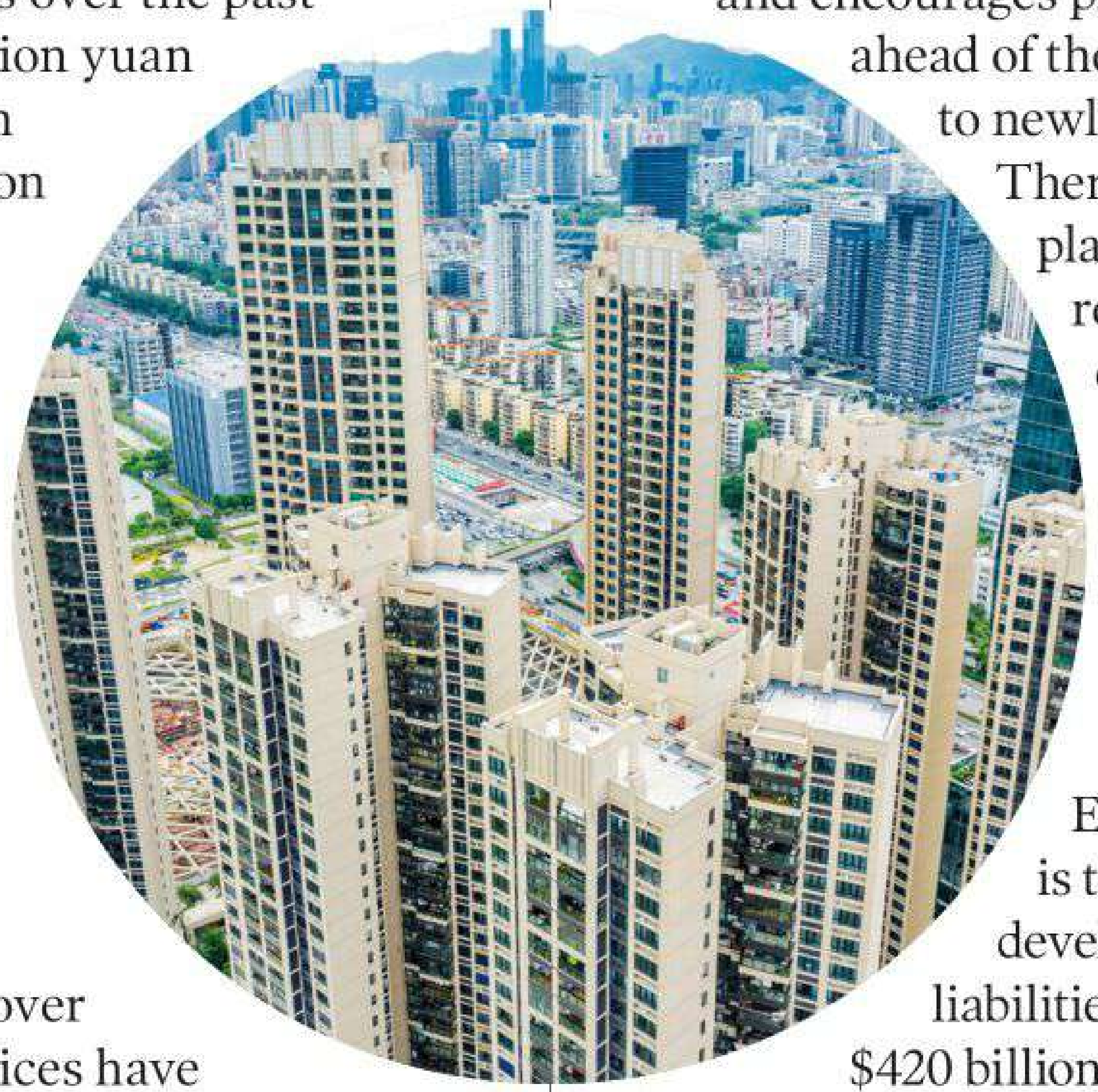
As the dust settles, investors should watch for opportunities in high-yield Asian debt

The news of China's largest property developer failing to meet its obligations to its creditors has sent shockwaves through the Asian fixed-interest markets. So exactly what risks and opportunities does this shock bring for investors in Asian high-yield debt?

To understand Evergrande's fallout, one must understand the backstory to China's property market. Chinese property developers have enjoyed an exponential rise in their revenues over the past decade from 4.4 trillion yuan (almost $1 trillion) in 2009 to over 16 trillion yuan in 2020. The activity in the main has been focused on developing residential, rather than commercial, real estate.

Property prices as recently as 2019 were growing as much as 10% a year, but slowed to mid-single-digit growth over 2020-2021. House prices have more than doubled since 2015, which is not too dissimilar to the residential increases in developed nations (including Australia) over the same time period.

Many investors observe China's property market with much scepticism, as though it survives on unchecked economics. There are often other headlines mentioning roughly a quarter of investment properties in urban China sitting vacant, with overall rental yields under 2%. But if you look through the fear-inciting headlines, there are other facts that offset the concerns.



First, China's urbanisation trend has continued since the 1960s and now sits at 60%. This trend should continue for another 15 years to reach an 80% urbanisation rate, which is roughly where the US is today. Chinese government policy encourages urbanisation, as it is obviously much more cost-effective to service a densely packed population with infrastructure, utilities and civic services. Furthermore, China is a planned economy, so the government tends to plan and layout infrastructure and encourages property investment ahead of the migration trend to newly built cities.

There have been many places that have been reported as ghost cities in the past that have gone on to become bustling metropolises, such as Pudong in Shanghai.

Now, back to Evergrande, which is the largest property developer in China, with liabilities totalling about $420 billion. It has more than 1300 property projects on its books across 280 cities as well as other businesses such as food manufacturing and wealth management. The wheels started to come off for Evergrande recently when the Chinese government effectively told the banks to cap lending to dampen house price growth. This meant that buyers found it difficult to get loans and settle on properties, causing Evergrande to suffer a fall in sales activity; cash inflows were insufficient to cover the costs, wages and debt servicing.

This sent a wave of fear among investors holding high-yield dollar-denominated debt in Asia, which traded down well below par value on the assumption of imminent defaults and insolvencies across the property sector in China. The current sell-off in Asian dollar-denominated high-yield debt is the most significant since the previous sell-off in March 2020, which was followed by a massive rally back to normalised levels.

At the time of writing, the interest payments missed by Evergrande have entered a 30-day grace period and if they remain unmet, formal default is a certainty followed by debt restructuring. Given the size of the company and the domino effect it would have on the cost of capital across the property market in China, we see the probability of a contagion as low with the more likely scenario being a debt restructure facilitated by the Chinese government and pain being mostly limited to Evergrande's bond holders and other creditors.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

3 FUNDS TO WATCH

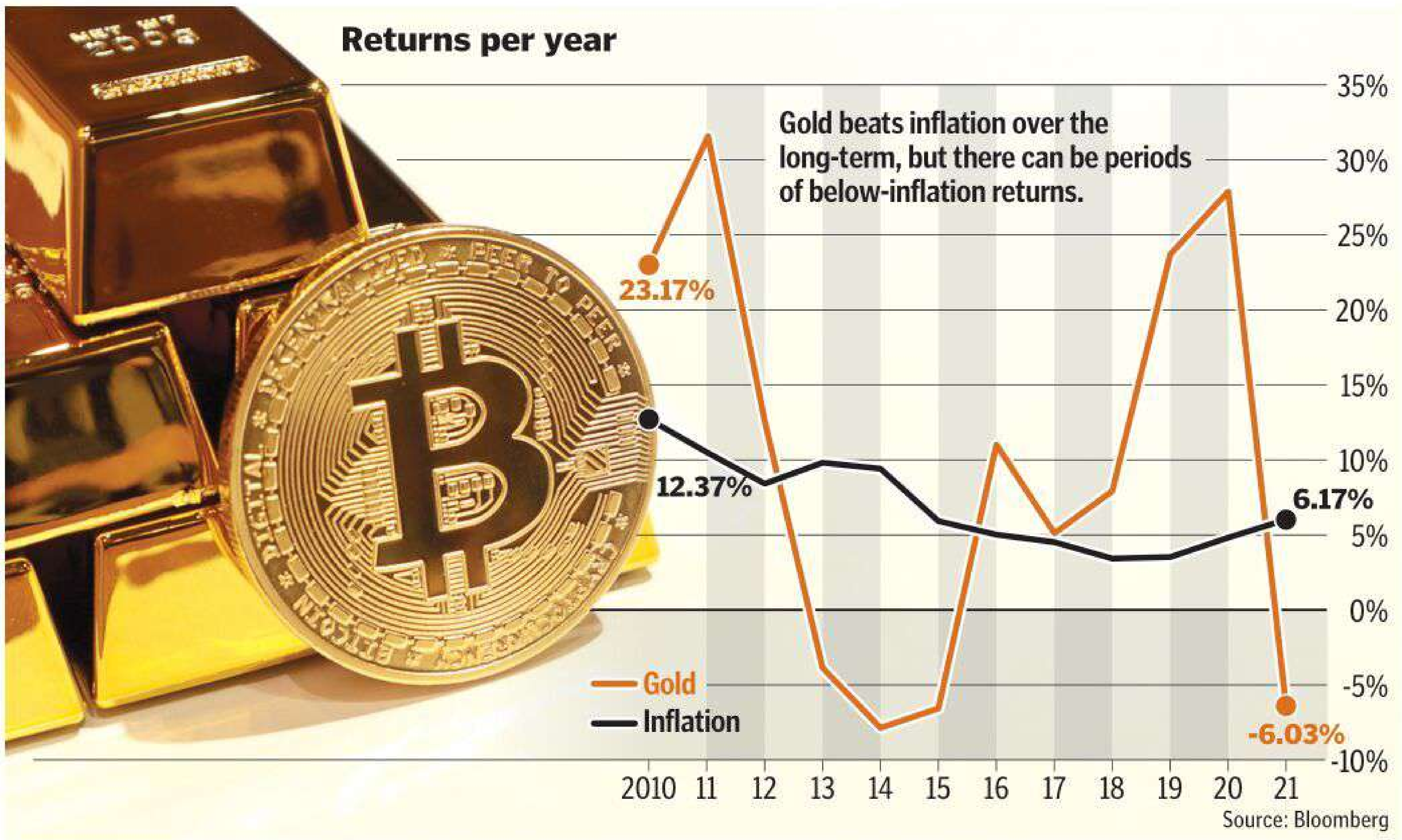
1 VanEck Emerging Income Opportunities Active ETF
Holds a globally diversified portfolio of bonds and currencies in emerging markets. It aims to provide total investment returns, measured over the medium to long term, in excess of the benchmark.

2 Bentham High Yield Fund
Aims to provide investors with a diversified exposure to the US high-yield securities market with active allocation among individual securities and industries.

3 iShares Global High Yield Bonds ETF
Aims to provide investors with the performance of an index before fees and expenses that is designed to measure the $A hedged performance of fixed-rate, high-yield corporate bonds across global developed markets.

Gold versus cryptocurrency

Both assets are vying for a place in a portfolio as the defensive play, but which is better?



Source: Bloomberg

Gold has a well-earned reputation as a safe-haven asset, a hedge in case the market turns sour. Yet its right to this throne has been threatened by a new kid on the block: cryptocurrency. But are the crypto prophets jumping the gun?

Gold has long been touted for its capital preservation qualities during market downturns and times of inflation. When the market goes down, gold goes up, and when inflation increases, gold increases at a greater rate.

Nor will gold overly weigh down your portfolio when the market is going well. You won't get the same bang for your buck that equities provide, but you'll still get some return.

"The overall correlation between gold and equities is very minimal, but if you just look at when the equity market rises, then gold is positively correlated in those environments – it just doesn't go up as much as equities do," says Jordan Eliseo, manager of listed products and investment research at the Perth Mint.

Cryptocurrency, such as Bitcoin, has also been touted as an inflation hedge.

"We know that in other countries that suffer from more severe currency inflation or devaluation like Venezuela and Nigeria, people use cryptocurrencies as a store of value," Kim Grauer , head of research at Chainalysis, told Cointelegraph in August.

However, simply being labelled as a deflationary asset doesn't necessarily make it so. To be a true hedge, there needs to be a correlation between inflation and cryptocurrency. And at present, there isn't.

"Right now, we can't show a statistically significant correlation between inflation in the US and Bitcoin prices, but we know anecdotally that many people invest in Bitcoin as a hedge against inflation," added Grauer.

Mark Bouris, executive chairman of wealth manager Yellow Brick Road, accepts crypto's place in the investment world, but stops short of treating it as a safe-haven asset. "I see cryptocurrency as just another asset class, where you can invest with a view towards making a profit," he says.

Gold, on the other hand, has a history to back up its claim as a defensive hedge against down markets and inflation.

"Gold's got a lot more history and a much deeper market, including governments, which stockpile gold," says Bouris.

"Gold has been a standard against which currencies are measured."

There are several ways investors can gain exposure to gold.

The first is by purchasing physical gold. You can store the gold yourself or you can open a storage account at Perth Mint, which provides the only government-backed investment and storage program in the world. Another way to go is to buy an exchange traded fund (ETF) that holds physical gold. These can be categorised as either unallocated gold funds, where the issuer holds the physical gold on your behalf, or unitised allocated gold funds, which are physically backed by gold bullion that is stored by fund managers on behalf of investors.

The Perth Mint Gold ETF (ASX: PMGOLD) is an example of an unallocated gold ETF, while ETFS Physical Gold (GOLD) and BetaShares Gold Bullion – Currency Hedged (QAU) are both allocated gold ETFs.

You can also invest in gold stocks directly. "Gold stocks aren't just reliant on the gold price," says Bouris. "It could be that it's a better gold stock because the company has better management, has more licences or is more successful at finding gold. It has more upside. And often the companies will mine other minerals, so you get some balance in there."

If you don't want to pick the stocks yourself, there are a couple of gold miner ETFs. Not only do you get access to the gold price, but also the free diversification that comes with owning ETFs.

VanEck Vectors Gold Miners ETF (GDX) is an unhedged fund exposure to about 50 companies involved in mining gold and silver, while BetaShares Global Gold Miners – Currency Hedged (MNRS) is a hedged fund that invests in about 50 companies engaged in gold, silver or other metal mining.

As good as it gets

STORY **DAVID THORNTON**

The big four have done well out of the pandemic, but they face headwinds from rising interest rates and growing competition

The banking sector has been front and centre of the Covid-19 pandemic. Low interest rates and government support have put the banks in a relatively strong position. But the easy days of low rates, monetary stimulus and industry disruption paint a complicated outlook for the big four.

To understand their present situation, it helps to go back to the financial industry royal commission. It exposed a lot of the skeletons in the banking sector's closet, including misconduct ranging from fees charged to deceased estates to predatory lending practices.

"The banks have done some cosmetic changes, but have gotten away without making large scale changes," says Mathan Somasundaram, CEO of Deep Dive Analytics, an investment strategy service.

They did divest from their non-core operations, namely their wealth management operations. Today, their main business is funding the property sector. "They're one-trick ponies – mortgages. And the mortgages are backed by government handouts and the RBA keeping rates at very low levels," he says.

While many businesses have been hammered, the pandemic has provided a lifeline to the banks.

"This year has been a fantastic year for the banking sector after lagging last year," says Adam Dawes, senior investment adviser at Shaw and Partners. "Commonwealth Bank trading at $105 ... nobody

would've thought it would get past $80."

As it should have been, government and central bank support has been laundered through the banking sector.

"In a weird way, the pandemic was the best thing that happened for the banks," says Somasundaram. "It went from being a sector that was targeted by regulators to being the sector that most benefited from regulators easing and the RBA providing cheap funding."

Loose monetary conditions have propelled the property market to record levels – up 18% in the past year alone.

Much of the stimulus has moved through the system by now. "During the first wave of Covid, the Reserve Bank and the government were moving in one direction: funnelling money down the line to make sure people were surviving," says Dawes. "Then most of the banks came out and said we'll give you a six-month holiday on your mortgage."

Now, government support is localised, and the banks have followed suit.

Small businesses have taken a hit, as will their credit providers.

"No matter how it plays out over the next 12 months, a lot of small businesses won't be back. And that will hurt the banks, especially the business lenders like NAB," says Somasundaram.

Dawes adds: "Potentially NAB might come under pressure because they have a large SME book, and due to Covid they might struggle a little bit."

ECONOMIC PULSE CHECK

Unemployment is rising and the economy is slowing, neither of which is good for the banking sector.

The Australian economy grew 0.7% in the second quarter of 2021 (quarter on quarter), after a 1.9% growth in the first quarter.

"Even with the opening up thematic, it will be a tough couple of years, so I don't think the central banks can cut rates and the government can't give anymore handouts," says Somasundaram.

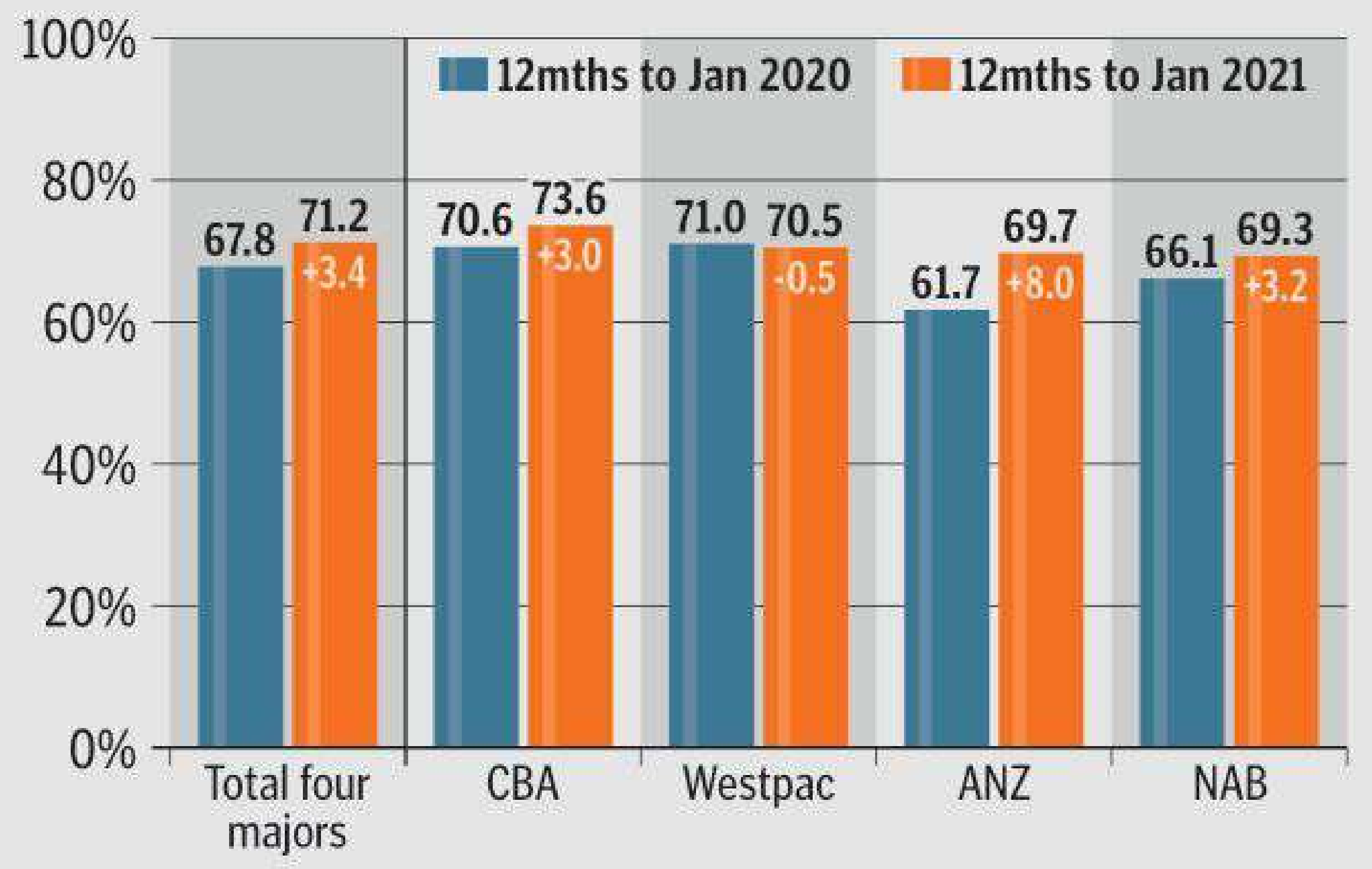
The banks' profit upgrade cycle has been mainly driven by cheap RBA funding and government handouts, and the banks have also been unwinding bad debt provisions. "So, over the next few years, they'll have to raise their bad debt provisions as the economy weakens."

At the end of the day the Aussie economy is held up by two things – the west coast commodities market and the east coast property market. Commodities, especially iron ore, are feeling the pinch due to slowing demand from China. Property, while stretched, seems as if it has legs to go for another couple of years.

"Given the RBA's not planning to raise rates for a number of years, the threat to the property market is low," says Somasundaram.

Nonetheless, it's a question of when, not if, rates will rise. "Household debt is rising relative to income. And if interest rates start to rise, which they will by 2023-23, you would need to be cautious about the banks because you might see some foreclosures starting to happen," says Dawes.

Small business owner satisfaction with banks



Source: Roy Morgan Research

This could lead to defaults, although Dawes believes they won't be extensive. "The Australian psyche is such that people won't eat until they pay their mortgage," he says. "There's a push-and-pull between the high debt and the loan-to-value ratios, but any change in those interest rates will harm the banks' profitability."

And it's not just about the rates. Global quantitative easing, where central banks stimulate the economy by buying back treasuries, lowers bond yields, which in turn feeds through to lower interest rates for households and businesses. It also stimulates spending.

"The US will start tapering quantitative easing and they'll do that by slowing their purchases of treasuries and mortgage-backed securities," says Dawes.

In Australia, quantitative easing will remain, for now.

Once the RBA says the economy has made substantial progress, it will start pulling back its bond buying. "I suspect they'll start tapering here in the first quarter next year," says Dawes.

This will put upward pressure on interest rates and downward pressure on borrowing, neither of which is good for the performance of the banks.

BUY NOW, PAY LATER THREAT

These days, the banks aren't just competing among themselves. They're also challenged by the tech sector. For some years now this has included neobanks, with their low overhead costs and resulting low rates.

More recently, the banks have also had to deal with the rise of buy now, pay later.

BNPL providers are in the credit game, making them a direct competitor to banks. They may not refer to their products as loans, but that's essentially what they are. It doesn't matter what you call it: credit is credit.

"The banks need to be technology businesses rather than a corner branch where you do your banking," says Dawes. "BNPL has accelerated that due to Afterpay, which has millions of customers and has the ability to cross-sell other businesses into the share of that wallet."

BNPL providers are good at upselling.

"Afterpay or Zip come out and say, 'You've made

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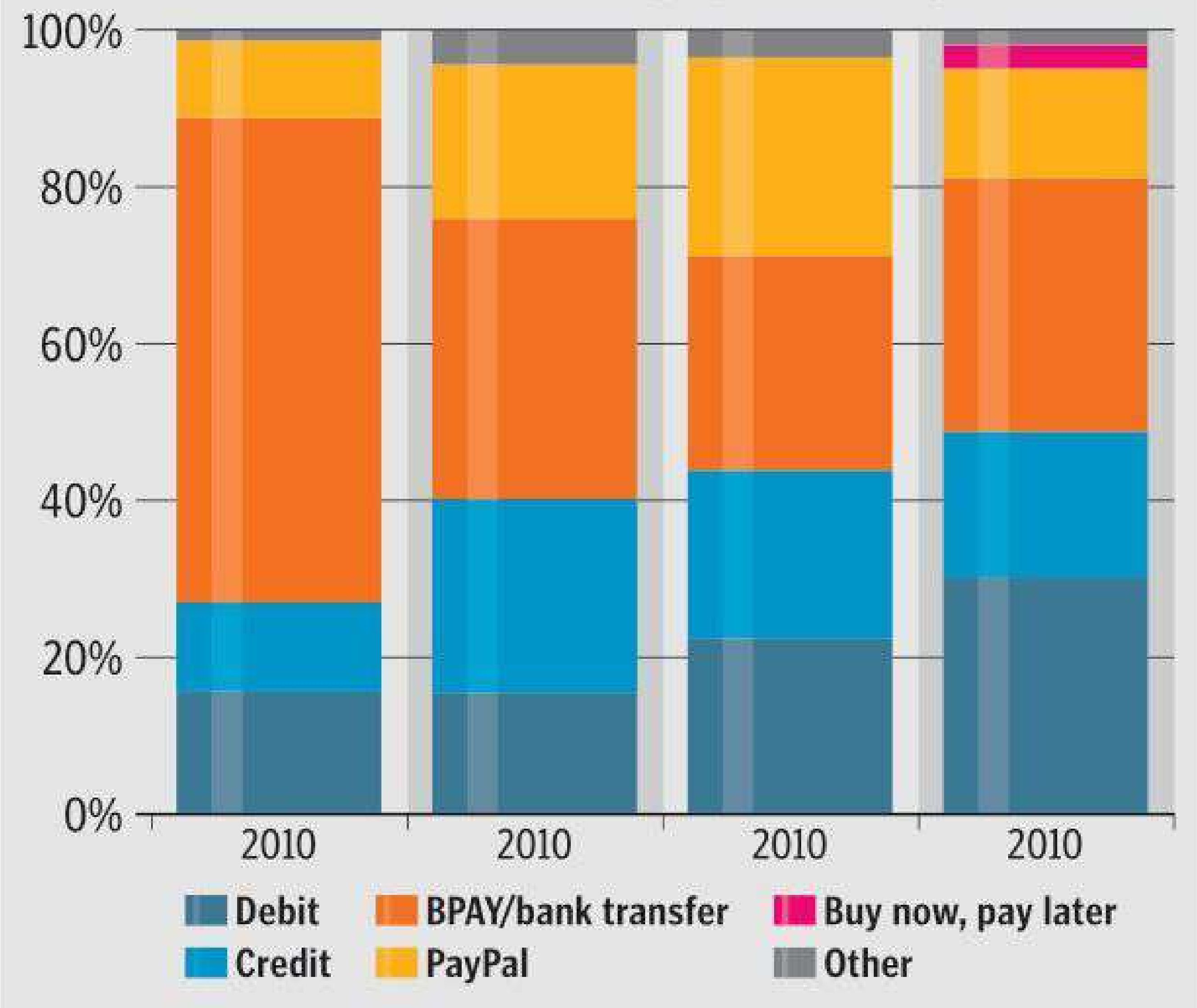
all these transactions with us, we think you're a good customer, how about you open up a savings account and we'll give you a better rate,' " says Dawes.

The move away from traditional banking products towards BNPL has been accelerated by social trends. "Millennials don't trust credit cards," says Dawes. "They've had everyone telling them not to get into debt, and BNPL, albeit still credit, is a way for them to see it as avoiding debt."

Share of number of online payments by method



Source: RBA

The banks are responding by cost cutting. "That basically means shutting down branches," says Somasundaram. "They'll be much less of a bricks-and-mortar operation and more of an online operation.

In Sydney, for example, most of the banks have only one branch open in the central business district.

"They may open one or two more in the city, but they'll shut down three or four that previously existed," says Somasundaram. The pandemic has proved convenient for this.

"The pseudo closure we've had through the pandemic has made it easier for banks to close branches. The biggest fixed cost for them is labour, and bricks and mortar. So putting off staff and closing down branches will be their cost-cutting strategy."

THE DARK HORSE

It's not just the neobanks and BNPL providers that the big four have to deal with. Shares in Macquarie are on a tear, jumping 9.6% in September alone.

The bank posted second-half net profit of about $2 billion. For the full year, total net profit was about $3 billion, up 10% year-on-year.

"They've gotten themselves into the property market. They do mortgages, and they're out there buying and building a lot of industrial property and getting good yield out of them," says Somasundaram.

So, if you're looking at a bank-type operation with more flexibility to evolve into the future, Macquarie may be a better bet than the big four. "If you had to pick a bank, I'd be looking at Macquarie," he says. ***M***

SECTOR US STOCKS

Look over the horizon

The ASX boasts some great stocks, but global markets offer even bigger and better prospects

Australia has many wonderful listed companies. And I don't like to brag but, according to a recent report out of Credit Suisse, the ASX has been the world's top-performing stockmarket since 1900.

Australia has a lot to be proud of. BHP and Fortescue are home-grown, world-class miners. CSL is a global leader in vaccines and blood plasma products. Even more recently, Afterpay created a payment methodology that is taking the fight right up to Visa, Mastercard, Amex and PayPal, a few short years after our own Bankcard folded, figuring the race had been done and won, with the international giants the victors.

And we have living standards that are regularly at or near the top of the international heap, not to mention world-beating sports teams, natural beauty that is the envy of the world and, well, the Hemsworths, Kylie, Dame Edna and pavlova (don't let the Kiwis tell you otherwise!).

So, we are hopefully well and truly past the cultural-cringe stage. No longer do we need to take our lead – or our orders – from overseas. True, our daily and weekly market fluctuations do tend to have a little cultural cringe about them – we tend to start our trading day based on where the US trails off – but over the long run, as that Credit Suisse data suggests, we end up making our own way.

And yet, while we don't need to pretend others are better than us (or our listed companies), it would also be folly to believe that all of the globe's best investment ideas are contained in a market (the ASX) that represents just 2% of its equity markets. Yes, ASX-listed companies make up only one-fiftieth of the combined market capitalisation of the rest of the world.

Shopping for shares only here would be like looking for a house only in streets starting with "B".

Not only that, but other markets have strengths in industries and sectors we only dabble in. Consider, for example, the ecommerce and social media companies listed in the US: the consumer brands, computer hardware and software businesses. And with a market (and population) that's 15 times the size of ours, the sheer potential of some of those businesses is also much larger – and a better springboard for international success, too.

It also seems, to me at least, that some of the industries listed above (and some that aren't) are most likely to continue to lead in the growth stakes, and the US has a critical mass of leading businesses in most of them.

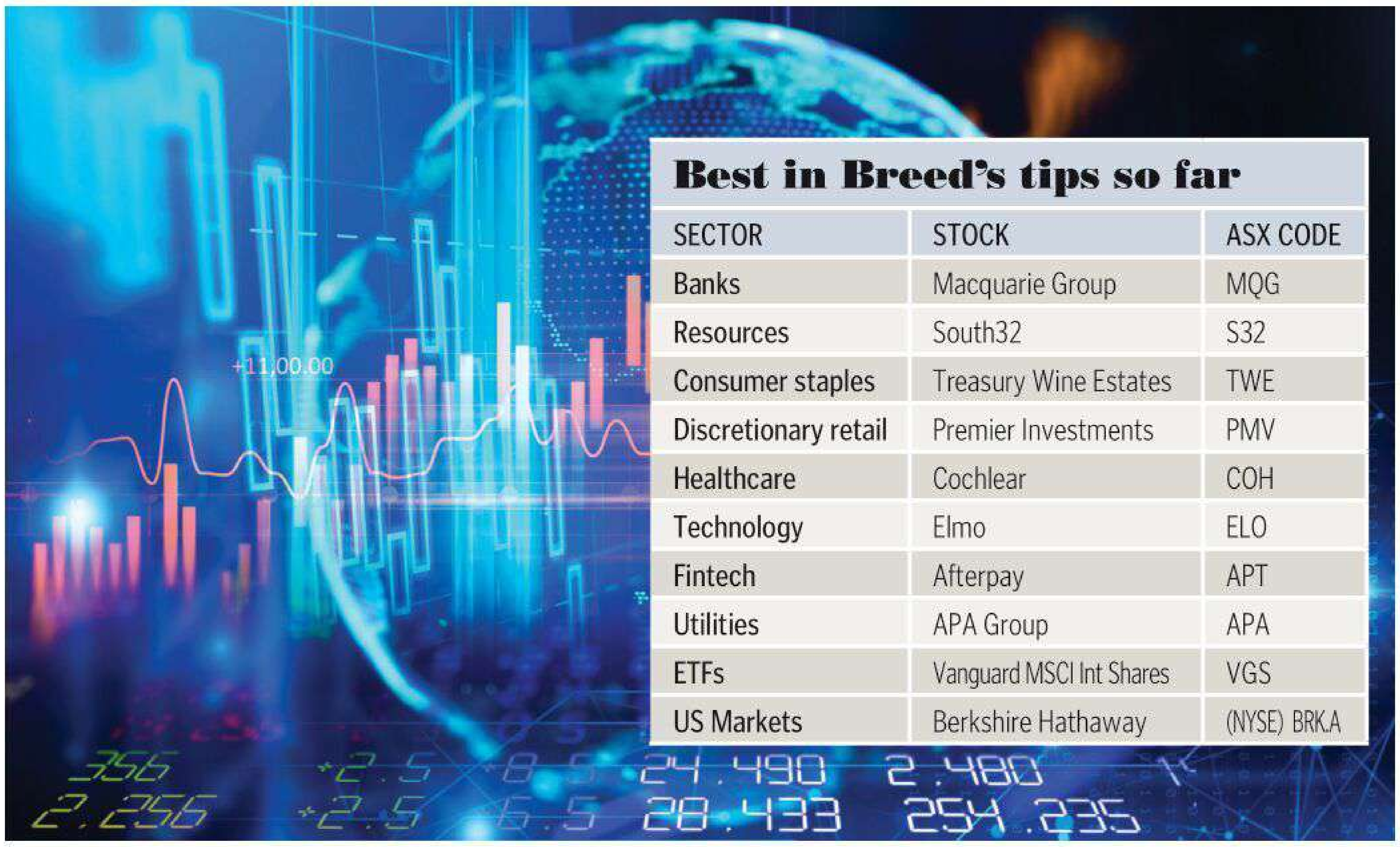
The best approach, then, in my view, is to be geographically, stockmarket and currency agnostic, by simply asking ourselves which companies make the best investments. If we take that approach, it's pretty likely we'll end up with more international companies in our portfolios.

Scott Phillips is The Motley Fool's chief investment officer. You can reach him on Twitter @TMFScottP and via email ScottTheFool@gmail.com. This article contains general investment advice only (under AFSL 400691).

Foolish takeaway

And the "best of the best" from the US stockmarkets (the New York Stock Exchange and the NASDAQ)? To my mind, it's hard to go past the biggest and the best. I own shares in Google's parent company, Alphabet, in Amazon, and in Shopify, PayPal, Disney and a few others. They are, in my view, some of the very best businesses on the planet.

But the very best? Run by a peerless CEO? It may be no surprise, but if we're talking Best in Breed, I think you want Warren Buffett and his legacy (including the operating businesses and his lieutenants, who will take the business forward for decades) in your portfolio. If you don't own shares in Berkshire Hathaway, as I do, I think you're missing out.



Best in Breed's tips so far

SECTOR	STOCK	ASX CODE
Banks	Macquarie Group	MQG
Resources	South32	S32
Consumer staples	Treasury Wine Estates	TWE
Discretionary retail	Premier Investments	PMV
Healthcare	Cochlear	COH
Technology	Elmo	ELO
Fintech	Afterpay	APT
Utilities	APA Group	APA
ETFs	Vanguard MSCI Int Shares	VGS
US Markets	Berkshire Hathaway	(NYSE) BRK.A

Spare a thought for the unloved

STORY **STEVE JOHNSON**

When the market gets it wrong, investors who ask the right questions can uncover a winner

Back in 2017, colleague Gareth Brown and I attended a broker meeting in London. After a dreary hour of pitches about overpriced growth companies, we had our jackets on and were heading for the door. As a last attempt to extract something useful, I asked the analyst, "Do you cover anything a bit more attractively priced, perhaps something with some hair on it?"

The response was a sheepish yes – a business the broker personally liked but one they had ceased covering for reasons that soon became obvious.

Blancco Technology, listed on AIM, a sub-market of the London Stock Exchange, had just fired its managing director (it looked like some major impropriety had occurred). It had delayed publishing that year's financial statements and was about to restate the previous year's revenues and profits. It turned out that Blancco's management team were booking revenue on a large contract that never materialised. The stock was down 80% in months.

Those are all good reasons for most investors to run a mile. For me, my heart rate starts to increase – because people running a mile is exactly what I'm looking for.

"Invert, always invert: turn a situation or problem upside down. Look at it backward." That wonderful quote from Charlie Munger was probably sourced from the great German mathematician Carl Jacobi ("Man muss immer umkehren"). It's a useful philosophy for many aspects of life, but I find it especially helpful when trying to narrow down the world of investment opportunities to the most prospective few.

Every fund manager has their own investment process. It starts with winnowing thousands of potential investments down to a digestible list of potential portfolio candidates. Most winnowing starts with a list of desired characteristics. Which sectors do we want to invest in? What should the balance sheet look like? How much inside ownership, or skin in the game, do we want to see? Then, and only then, does one worry about price and value.

Ask the right questions

At Forager, we invert that process. Before we worry about answering any other questions, we ask: where and why might people be selling stocks cheaply? Only if we can answer that question do we spend our time on industry, growth, management and balance sheets.

Especially for a small team like ours, it's far easier to recognise patterns of investor behaviour that create mispricings than it is to value every stock in the world.

These opportunity-rich environments fall into two main categories. The first is ignorant selling, where the seller is underestimating the value of what they own.

It could be some insight into the financial reporting that is tricking people; it could be an insight into a business that isn't widely held. We have made several airport investments around the world, for example, on the simple insight I had when working on Macquarie Bank's bid for Sydney Airport in 2002. Despite not generating much in the way of accounting profits, these businesses are cash machines that are generally under-appreciated by investors too focused on simple multiples of accounting earnings.

The other main category is irrational selling. The person selling stocks in this category can be fully aware that the value of what they are selling is higher than the price they are selling for. Either because they are panicked, or because they are forced to, they are selling anyway.

This happens in broad market sell-offs, where margin loans are being called, hedge funds are imploding and fund managers are forced to meet redemptions. It can happen in sectors that fall out of favour, like coal miners over the past 12 months. Or it can happen to individual stocks that become "uninvestable" due to their size or operational performance.

> Invert, always invert: turn a situation or problem upside down

So, when we hear a broker has been forced to cease coverage of a company whose product he really likes, our antenna goes up. With a share price down 80%, it is fairly obvious why this company might be cheap.

Might, of course, means little. But the setup there looked particularly interesting and it warranted further work.

It turns out that Blancco is one very interesting business. It sells data erasure software to large corporations, IT equipment recyclers and mobile phone recyclers. If you have been watching the proliferation of police shows on TV, you will be fully aware that pushing the delete key on your computer doesn't get rid of the evidence. You can break the hard drive with a sledge hammer. Or burn it. But neither is great for the environment.

A job well done

Enter Blancco. Its software securely erases the hard drive, provides the equipment owner with certifications and allows recyclers or resellers to prove to their clients that they have erased as instructed. In this market, Blancco is the gold standard. It has 80% of the market globally with a dozen certifications from regulatory organisations around the world.

The revenue is typically volume-based. Customers buy a licence upfront, allowing them to wipe a certain number of devices, and then they're back a few months later buying more. There are other key elements to the business around mobiles that are becoming increasingly important. Its large, growing customer base is loyal.

We spoke to sales managers in Australia and got the sense that the revenue restatement issue only applied in one geography, whereas the rest of the business was growing – albeit not as quickly as the previous CEO had claimed. When we asked the sales manager how her sales process works, she said she simply answers the phone. "It rings non-stop."

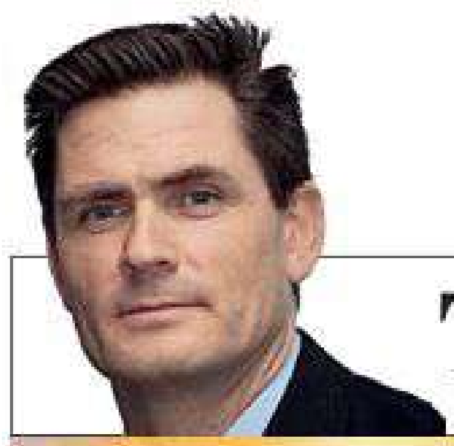
The Forager International Shares Fund made a small initial investment. The business went on to appoint a high-calibre CEO who still steers the ship today. Its restatements ultimately proved less dramatic than feared. Blancco's growth continued in the subsequent years and we increased our investment as our confidence grew.

Ultimately, the market got this wrong and Blancco has been a meaningful contributor to International Shares Fund returns over the past four years. The stock is up fivefold on our initial purchase.

They don't all work out that way. Sometimes the reasons for panic selling turn out to be justified. When it turns out to be "obvious to everyone" that something was a dud investment, it is particularly embarrassing to be the one who was buying. Sometimes, hindsight shows that the person selling knew a lot more than you.

Foraging around looking for undiscovered, unloved or discarded opportunities can be a particularly humbling experience. But it's also where Forager's best opportunities have been found.

Steve Johnson is chief investment officer, Forager Funds.



THIS MONTH Marcus Padley

Golden generation reaps rewards

In the great debt boom of the past 46 years, property and equity investors simply had to jump in and hang on to make their fortunes

I have spent 39 years in the stockmarket, which is an embarrassingly long time because the truth is, as Emma keeps reminding me, if I was any good at it she would have been in the Bahamas years ago being waited on by a couple of nannies and a well-cut pool boy. But she's not, we're not, and many millions of us aren't.

Well, actually, some people are; they are the "lucky generation" and, amazingly, most of them don't even know it. They are the generation of investors in the property and equity markets who have ridden a nearly 40-year credit boom – a previously unseen engorgement of debt and an access to money that created a golden wave of investment returns between about 1974 and 2007 and, after that hiccup in 2008, has continued to the present day.

It all started in the early '70s when my dad bought a house in Henley on Thames in the UK for £35,000 and a year later someone walked up the drive and offered him £45,000 for it.

He couldn't believe it. In those days people didn't buy houses to make money; they bought them to live in and houses didn't go up in price. On top of that, when Dad bought the house it was new. Mum couldn't understand why someone would want to pay more now that it was secondhand. That's how people thought in those days. They thought the guy bidding them £45,000 was a crook, so they turned him down. Good thing they did. Not because he was a crook, but because they eventually sold it for £280,000.

The debt boom caught up with me in the early '80s. I had recently started in stockbroking. I was renting a house in Brixton, in London. It was so plush that Jamie and I serviced our motorbikes in the living room (on the landlord's cheap industrial carpets) and I owned a tenth-hand Ford Cortina that had a gear stick that came off, a useful anti-theft device in those days and in that suburb. And I was happy.

Then in 1984 I moved brokers to UBS Phillips & Drew, and that's when it all began, when the big international banks arrived in the UK with a previously inaccessible access to global money supplies that they then spread among their clients and, as a side issue, to their employees.

They offered me a lease car and a mortgage at three times my current salary and a subsidised mortgage rate. Within a month I had moved from Brixton to more upmarket Putney and was driving a brand-new Ford XR3i, a black one with fat racing tyres and go-faster stripes. It is still the most fun car I have ever owned.

Without planning on it, I was suddenly in the rat race, laden with debt, bled for interest, but wallowing in asset price appreciation. The debt didn't matter: the house went up in price, the stockmarket was going up in price, I was making an '80s stockbroker's salary, it was good and there are no regrets. Anyone who didn't join in got left behind.

Have a look at this chart. This is the US S&P 500 for the last 100 years. It is a

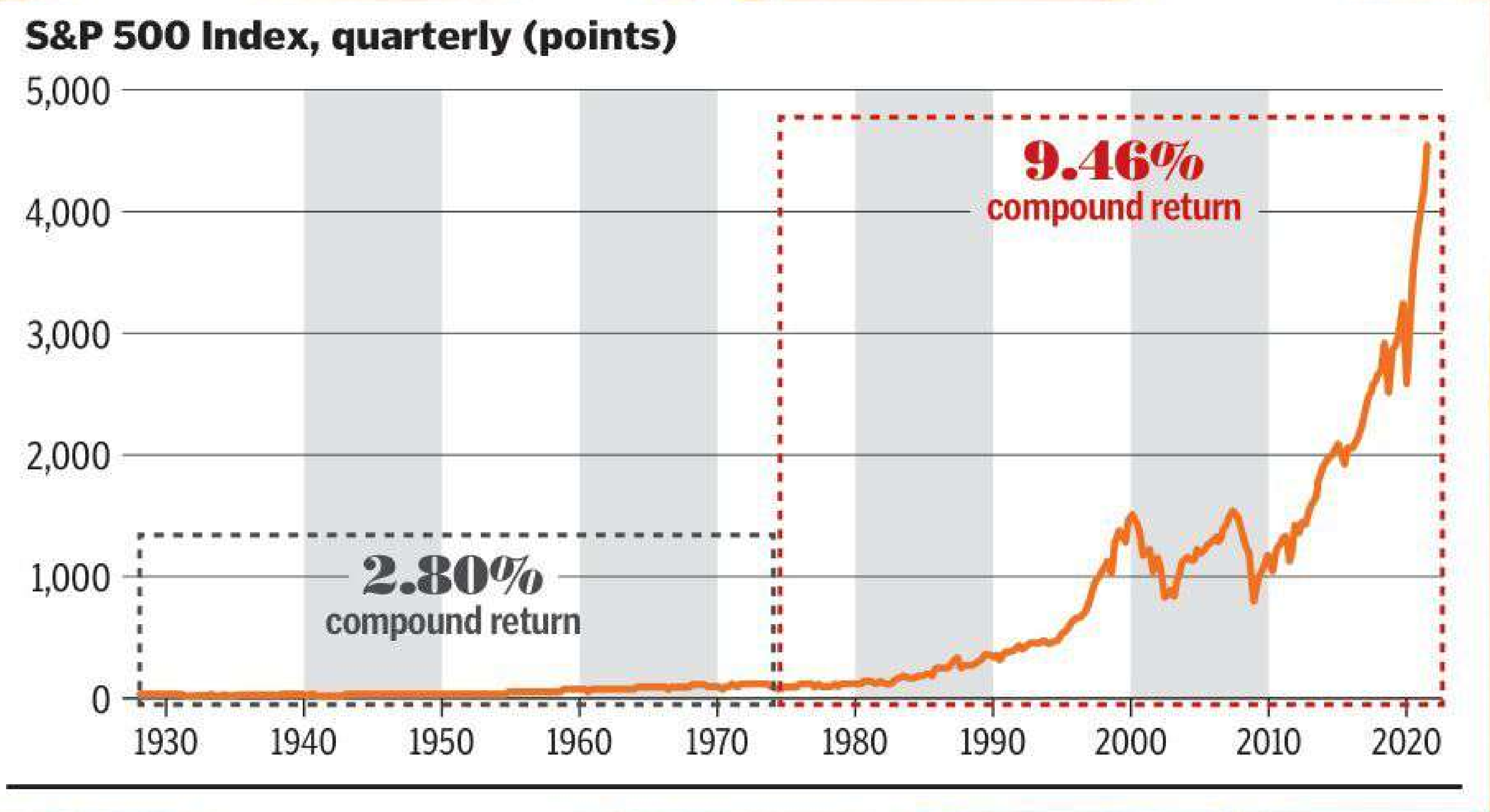


chart of two eras – eras that happened in Australia, the UK and the world over.

In the first half, for the 46 years from October 1928 to October 1974, the S&P 500 went up 2.80%pa compound (plus dividends). In the second half, from October 1974 to today, another 46-year period (convenient), the S&P 500 went up 9.46%pa compound (plus dividends). I don't have a chart for Australia's All Ordinaries Index, which only started in 1980, but they have back-calculated it to 1960 and the equivalent compound return since 1974 for the All Ordinaries Index was an 8.09% annual compound return to today. Similar.

Interestingly, in the first 46 years when the stockmarket was going up 2.80%pa, inflation was at 4%, so nobody made money. The real return from the stockmarket was negative. That's why books like *The Intelligent Investor* became so popular, because you had to pick stocks to make money, you had to have skills, because there was no underlying tide in the equity market, or the housing market, that made you profitable even if you were a nuff nuff. It was a skill, not a norm, to make money in stocks. Participation alone was not enough.

In the next 46 years, the equity market in Australia went up 38 times or 8.09%pa compound before dividends, about 13.5%pa including dividends. At the same time, the performance of the banks perverted and indoctrinated the average Australian investor into thinking that capital growth and 7% yields were normal. This was also the period in which my neighbour bought the two blocks of land behind me for £400 while I had to pay $400,000 for one (now worth $3 million?).

The bottom line is that people who bought houses and invested in the stockmarket pre-1974 were strugglers. There was no asset appreciation of note. But, thanks to the credit boom (sorry, "debt" boom) from 1974 until now, anyone who started investing or bought houses from 1974 onwards bought into a truly golden age. Anyone who had the money to invest or the balls to borrow experienced the best investment years many of us will ever see in any of our lifetimes. I'm not sure our kids will experience anything quite so easy.

Life in the fast lane ... a job as a stockbroker in 1980s London demanded something like Marcus's beloved Ford XR3i.

Net result: if you were born pre-1954 you have enjoyed the whole run (you were 20 when it started) and you can pretty much measure anyone's net worth depending on how much later than that they were born.

I was a decade and a half later than perfect (born 1961) so caught a lot of it, but not all of it.

Obviously, the GFC brought it all to an end (briefly), but we have recovered from even that courtesy of our appetite for debt and borrowing, which has underpinned both the housing market and equity markets.

The end result is that if you're still sitting on a multimillion-dollar house that you paid $80,000 for and a multimillion-dollar share portfolio that's been invested in the banks since the 1990s and has achieved a 7% yield on top, without you having to do anything clever at all, then you can thank your lucky stars that you have lived when you have lived. You are indeed blessed. You are the golden generation and in that knowledge you need to understand that your job is not to now sit there whingeing about the pitiful return on term deposits; your job is to appreciate how lucky, ballsy or clever you were and focus on not losing it again.

Marcus Padley is the author of the daily stockmarket newsletter Marcus Today. For a free trial of the Marcus Today newsletter, please go to marcustoday.com.au.

STORY
GAURAV SODHI

A revitalised Karoon will reward investors if it can move on from past disappointments and make the most of new opportunities

Oil player gets into the action

Karoon Energy has a long history of paralysis and mismanagement, and – this is a big one – it hasn't produced any oil or gas in its near 20-year history. That is all about to change.

Karoon has renewed its directors, found new management and bought new assets. It is now producing oil for the first time and has a credible way to turn oil resources into cash. Despite these developments, and a higher oil price to boot, Karoon's share price remains stagnant.

The name still repels investors who have been conditioned with years of disappointment and stagnation. Those long memories might be a source of opportunity.

Founded in 2003 and listed on the ASX a year later, Karoon was just another anonymous explorer until 2009, when it was part of a venture that made a big gas discovery off the coast of Western Australia. Its stake was eventually sold for an eye-watering $US600 million cash, with Karoon's market capitalisation peaking at over $2 billion.

The company, flush with cash, spent millions on exploration and millions on management salaries. Concerns were brushed aside and investors lost interest until new management was installed.

In 2019, Karoon got a new chairman, Bruce

Phillips, a 40-year veteran of the oil and gas sector and founder of AWE. Peter Botten, the former CEO of Oil Search, joined the board in 2020 just months after the founder and CEO of Karoon, Robert Hosking, left the business.

Several other board changes have been made and a new CEO, with plenty of relevant experience, was appointed late last year. The board and management that presided over years of decline and controversy have been replaced by new individuals with excellent track records.

After board renewal, Karoon got busy with a renewal of assets, including the purchase of a shallow field known as Bauna in Brazil. Bauna is already tied to a floating processing facility (known as an FPSO) that is running at 50% capacity. The field currently produces about 16,000 barrels of oil a day (bopd) but that can easily double.

There are further expansion options. During its halcyon days, Karoon found two oil fields in shallow waters near Bauna. The business could never economically extract those fields in the past but, by using Bauna's processing facilities, it can finally bring those barrels to production.

Karoon currently counts 100mmbbl of oil resources on its books. Resources are barrels that have a high geological probability but are currently uneconomic to extract. Using the newly acquired Bauna infrastructure and cash flows, most of those resources should be able to be produced.

The Bauna field itself currently produces 5.8mmbbl of oil annually at a cost of $US25 a barrel. To this we add $US20 a barrel for capital expenditure and another $US7 a barrel for tax which, at a $US60 oil price, results in a margin of $US8 a barrel.

That should result in about $65 million in free cash flow for nine years. A field like that might be worth about 70c per share. At a $US70 oil price, the value rises to about $1.60 a share.

That is okay but hardly a table-thumping opportunity. More upside comes from increasing production rates by replacing pumps and expanding the field. This is a low-risk expansion that can be funded from the $130 million in net cash on Karoon's balance sheet or from operating cash flow.

Raising production to 9.4mmbbl per year and adding additional reserves already found in the Bauna concession would be worth about $1 a share at $US60 oil and over $2 a share at $US70 oil.

Then we consider Karoon's stranded oil resources: 50mmbbl of resources from two fields known as Neon & Goia, which are within piping distance of Bauna and can share production facilities. Bringing those into production could add $1-$2 per share of value.

All counted, there could be around $4 a share in value if Karoon meets its potential. If all it does is milk the Bauna field at existing rates, we should expect between 70c-$1 in value.

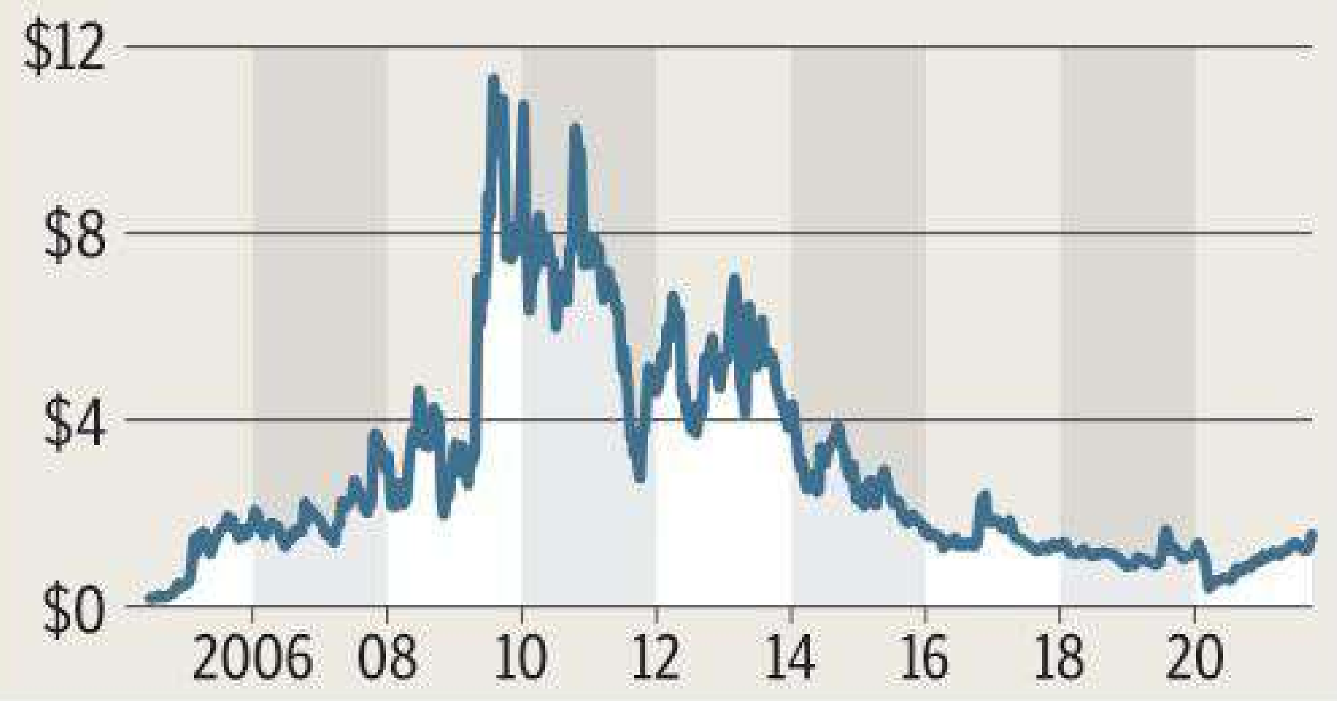
Those are attractive payoffs. If oil prices stick to $US60-$US70 a barrel, we have the chance of a significant gain at the risk of a small loss. That is the essence of intelligent speculation.

Oil prices remain the greatest unknown. We don't pretend to know where they will go but, with so much expenditure cancelled over recent years, there has been an underinvestment in new supply.

We don't introduce Karoon because we wish to bet on oil prices. There have been big changes in the business over a short time. The board and management have changed and impressive industry veterans have bought in. The new CEO, Julian Fowles, led Shell in Brazil so knows the market well.

Energy stocks have generally lagged higher oil prices but this one, with its poor history and disappointments, has been doubly ignored. With new management and new assets, this isn't the Karoon of old. The turnaround has come. SPECULATIVE BUY up to $1.40.

Karoon Energy share price



Gaurav Sodhi is deputy research director at Intelligent Investor.

YOUR GUIDE TO MANAGED FUNDS DATA

DATABANK

The tables on these pages contain data and information to help you compare managed funds, which are pooled funds managed professionally by investment experts.

Managed funds displayed in these tables are multi-sector or asset class specific. Multi-sector managed funds invest across a diversified mix of asset types spanning equities, property, bonds, cash, infrastructure, private equity and alternatives.

Managed funds are normally set up as unit trusts. You may be able to invest in them directly or through a platform.

Top 5 Multi Sector funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Vanguard Growth Index Fund	VAN0110AU	0.29%	20/11/2002	$7,442m	20.9%	32	9.3%	15
Vanguard Balanced Index Fund	VAN0108AU	0.29%	20/11/2002	$7,012m	14.5%	67	7.5%	37
Vanguard High Growth Index Fund	VAN0111AU	0.29%	20/11/2002	$4,407m	27.6%	8	11.1%	5
QIC Long Term Diversified Fund	QIC0002AU	0.60%	6/03/2002	$4,224m	16.6%	57	7.2%	43
Vanguard Conservative Index Fund	VAN0109AU	0.29%	20/11/2002	$3,030m	8.4%	101	5.5%	66
AVERAGE*		0.73%		$577m	16.8%	115	6.7%	102

Top 5 Australian Equities funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Vanguard Australian Shares Index Fund	VAN0002AU	0.16%	30/06/1997	$17,017m	29.1%	73	10.1%	47
Fidelity Australian Equities Fund	FID0008AU	0.85%	30/06/2003	$5,840m	32.7%	40	10.3%	42
CFS Indexed Aust Share	CMI0103AU	0.40%	31/08/1998	$5,060m	28.1%	84	9.7%	59
Plato Australian Shares Core Fund	WHT0068AU	0.41%	30/10/2006	$3,938m	29.3%	67	10.4%	37
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	2/11/2009	$3,933m	46.0%	1	14.6%	4
AVERAGE*		0.79%		$778m	30.5%	119	8.5%	105

Top 5 International Equities funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Vanguard International Shares Index Fund	VAN0003AU	0.18%	30/06/1997	$21,007m	32.0%	71	15.3%	39
Magellan Global Fund	MGE0001AU	1.35%	1/07/2007	$14,866m	13.9%	141	14.6%	50
Orbis Global Equity LE Fund	ETL3523AU	1.00%		$11,300m	28.8%	95		115
Platinum International Fund	PLA0002AU	1.35%	30/04/2006	$8,278m	25.9%	109	10.1%	91
T. Rowe Price Global Equity Fund	ETL0071AU	0.94%	15/09/2006	$5,834m	34.2%	45	22.0%	3
AVERAGE*		0.93%		$986m	31.1%	146	10.7%	115

Top 5 Multi Sector funds by 5-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
First Sentier Wholesale High Growth Fund	FSF0498AU	1.16%	20/03/1999	$432m	33.7%	3	11.6%	1
Fiducian Ultra Growth Fund	FPS0014AU	1.45%	1/09/2008	$280m	36.0%	1	11.5%	2
MLC Wholesale Horizon 6 Share	MLC0397AU	0.95%	1/07/2001	$369m	29.4%	7	11.4%	3
Perpetual Spit Growth Fund	PER0066AU	0.55%	31/03/1999	$45m	34.0%	2	11.2%	4
Vanguard High Growth Index Fund	VAN0111AU	0.29%	20/11/2002	$4,407m	27.6%	8	11.1%	5
AVERAGE*		0.73%		$577m	16.8%	115	6.7%	102

Source: Rainmaker Information. Data sourced as at July 31, 2021. *Numbers stated here depict averages, other than the Rank column, which is the total number of funds in the category. For any queries on these tables, please contact info@rainmaker.com.au.

These products may be recommended to you by a financial adviser.

The performance results displayed are the annualised investment returns each managed fund has delivered after taking into account taxes paid by the unit trust and investment fees.

Research was prepared by Rainmaker Information and for more information see **www.rainmaker.com.au**

RAINMAKER INFORMATION
INDUSTRY INTELLIGENCE

Top 5 Australian Equities funds by 5-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Bennelong Australian Equities Fund	BFL0001AU	0.95%	30/01/2009	$958m	44.3%	3	16.5%	1
Bennelong Concentrated Aust Equities	BFL0002AU	0.85%	30/01/2009	$1,729m	43.4%	5	16.2%	2
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	2/11/2009	$3,933m	46.0%	1	14.6%	3
Australian Unity Platypus Aust Equities	AUS0030AU	0.76%	28/04/2006	$262m	29.0%	74	14.3%	4
Bennelong Twenty20 Aust Equities Fund	BFL0017AU	0.39%	25/11/2015	$17m	42.5%	6	14.3%	5
AVERAGE*		0.79%		$784m	30.5%	118	8.5%	104

Top 5 International Equities funds by 5-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Hyperion Global Growth Companies Fund	WHT8435AU	0.70%	1/06/2014	$1,724m	43.3%	12	25.9%	1
Fiducian Technology Fund	FPS0010AU	1.36%	1/05/2000	$231m	38.2%	27	24.9%	2
T. Rowe Price Global Equity Fund	ETL0071AU	0.94%	15/09/2006	$5,834m	34.2%	45	22.0%	3
CC Marsico Global Fund – Inst.	CHN0001AU	1.03%	10/12/2015	$45m	22.4%	119	21.9%	4
Zurich Inv Conc. Global Growth Fund	ZUR0617AU	1.11%	19/10/2015	$104m	28.5%	97	21.5%	5
AVERAGE*		0.93%		$986m	31.1%	146	10.7%	115

Top 5 funds by 1-year performance

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	1-year rank	5-year return (pa)	5-year rank
Forager International Shares Fund	FHT0032AU	1.25%	8/02/2013	$265m	69.0%	1	20.0%	7
Vanguard Global Value Equity Fund	VAN0074AU	0.35%	8/09/2016	$34m	54.4%	2		321
Pzena Global Focused Value Fund	ETL0484AU	0.90%		$19m	50.5%	3		321
PM Capital Global Companies Fund	PMC0100AU	1.09%	28/10/1998	$454m	50.1%	4	15.7%	35
Platinum International Brands Fund P Class	PLA2056AU	1.10%	3/07/2017	$2m	50.0%	5		321
AVERAGE*		0.82%		$799m	26.4%	379	8.6%	321

Bottom 5 funds by 1-year performance

Name	APIR Code	Mngmnt fee (pa)	Start Date	Size	1-year Return	1-year Rank	5-year Return (pa)	5-year Rank
INVESCO Global Targeted Returns Fund	GTU0109AU	0.95%	28/02/2015	$903m	-0.5%	377	0.7%	318
Aberdeen Standard Global Abs Return Fund	ETL0130AU	0.95%	1/12/2009	$51m	2.2%	376	2.9%	317
Pendal Multi-Asset Target Return Fund	PDL3383AU	0.78%	11/04/2018	$213m	4.6%	375		320
MFS Prudent Capital Trust	ETL3276AU	0.90%	18/12/2018	$34m	4.6%	374		320
Morningstar Conservative Fund	INT0056AU	0.31%	7/07/2000	$21m	4.8%	373	3.5%	313
AVERAGE*		0.82%		$801m	26.3%	377	8.6%	320

WHAT THEY MEAN

Performance after investment fees. Investment returns after investment fees annualised to describe each fund's returns per annum. But if your managed fund achieves a high return and charges you an extra "performance fee", Rainmaker has not taken this into account. Past performance is not an indicator of future performance.

Rank. Funds are ranked against all managed funds in each segment, not just those included in each table.

Indices and averages. Arithmetic average investment returns or average fees for all fund investment options within each category, that is, not fund size weighted.

YOUR GUIDE TO SUPER DATA

DATABANK

The table contains information to help you compare super funds. It showcases publicly available MySuper investment options offered by some of Australia's biggest funds. Rainmaker categorises them into risk options based on percentage of growth assets in their portfolio. The high-growth risk option has more than 85% in growth assets (growth has between 75% and 85%), balanced has between 55% and 75%, and capital stable products have less than 55% growth assets.

The performance results are the annualised investment returns each option has delivered after taking account of all taxes and fees. Past performance is no indicator of future performance.

The table only lists funds designated AAA, Rainmaker's Super fund quality rating. Rainmaker Information prepared this research. **www.selectingsuper.com.au**

Best Super Funds: Top 20 MySuper – July 31, 2021

RANKED BY 3-YEAR RETURN

FUND & INVESTMENT OPTION NAME	Strategy	Growth assets	Risk category	1-year return	1-year rank	3-year return (pa)	3-year rank	5-year return (pa)	5-year rank
Australian Ethical Super Employer- Balanced	s	70%	Balanced	19.5%	15	10.0%	1	8.5%	21
Virgin Money SED – Life Stage Tracker 1979-1983	LC	90%	High Growth	22.9%	5	10.0%	2		
Mine Super – High Growth	LC	89%	High Growth	26.6%	1	9.9%	3	9.7%	4
UniSuper – Balanced	S	68%	Balanced	19.1%	18	9.1%	4	9.1%	12
Telstra Super Corporate Plus – MySuper Growth	LC	89%	High Growth	25.2%	3	9.9%	5	9.9%	2
Active Super Accumulation Scheme – High Growth	LC	95%	High Growth	23.9%	4	10.3%	6	10.3%	1
Australian Super – Balanced	S	66%	Balanced	19.8%	14	9.8%	7	9.8%	3
smartMonday PRIME – MySuper Age 40	LC	86%	High Growth	22.0%	8	9.5%	8	9.5%	6
QSuper Accumulation – Lifetime Aspire 1	LC	61%	Balanced	17.1%	9	8.2%	9	8.2%	24
Vision Super Saver – Balanced Growth	S	70%	Balanced	19.1%	10	9.4%	10	9.4%	7
VicSuper FutureSaver – Growth (MySuper)	S	68%	Balanced	18.5%	11	9.1%	11	9.1%	13
Lutheran Super – Balanced Growth – MySuper	S	75%	Balanced	17.7%	12	9.0%	12	9.0%	14
Mercer CS – Mercer SmartPath 1979-1983	LC	89%	High Growth	22.2%	13	9.1%	13	9.1%	11
ANZ SCSE – ANZ Smart Choice 1980s	LC	80%	Growth	22.5%	14	8.8%	14	8.8%	16
Aware Super Employer – Growth	LC	68%	Balanced	18.2%	15	9.1%	15	9.1%	10
Sunsuper Super Savings – Lifestyle Balanced Pool	LC	77%	Growth	21.0%	16	9.3%	16	9.3%	8
Cbus Industry Super – Growth (Cbus MySuper)	S	73%	Balanced	18.9%	17	9.3%	17	9.3%	9
HOSTPLUS – Balanced	S	81%	Growth	21.8%	18	9.6%	18	9.6%	5
HESTA – Balanced Growth	S	69%	Balanced	18.6%	19	8.8%	19	8.8%	15
Prime Super (Prime Division) – MySuper	S	65%	Balanced	18.3%	20	8.7%	20	8.7%	18
SelectingSuper MySuper/Default Option Index				**19.2%**		**8.0%**		**8.4%**	

*Limited public offer fund.

Rankings are made on returns to multiple decimal points.

SelectingSuper Benchmark Indices – Workplace Super

INDEX NAME	Performance to July 31, 2021		
	1-year	3-years (pa)	5-years (pa)
Rainmaker MySuper/Default Option	19%	8%	8%
Rainmaker Growth	23%	9%	9%
Rainmaker Balanced	17%	7%	7%
Rainmaker Capital Stable	9%	5%	5%
Rainmaker Australian Equities	27%	9%	9%
Rainmaker International Equities	28%	12%	12%

Source: www.selectingsuper.com.au and Rainmaker Information

WHAT THEY MEAN

Performance after fees: When calculating fees, Rainmaker assumes a member has $50,000 in their account.

Strategy: Some MySuper products invest your superannuation based on age and are known as lifecycle funds (marked LC). The table includes the LC option for 40-year-old members. Non lifecycle funds are known as single strategy (S).

Rank: Funds are ranked against all MySuper investment options available in Australia.

Indices and averages: To produce these indices, Rainmaker analyses the results of more than 3300 investment options.

Taper is no longer a dirty word

Markets have become more comfortable with the prospect of an interest rate rise, leaving the bulls in control

Financial markets have been on edge ever since they got the first whiff of "taper" in the air. This started when the minutes of the US Federal Open Market Committee (FOMC) meeting on April 27-28 revealed that "a number of participants suggested that if the economy continued to make rapid progress toward the committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases".

Cue horror! From this time on, every dip in the equity markets – and, more generally, risk-off moves – became one of the major go-to excuses. Good news on the US economy and progress on vaccinations stirred taper talks. Bad news for the bulls and risk assets.

That was until the Federal Reserve's September 21-22 FOMC meeting. This time it became a case of heads, bulls win; tails, bears lose.

In its statement, the Fed noted that America's economy "has made progress" towards its goals toward "maximum employment, and inflation has risen to 2% and is on track to moderately exceed 2% for some time". Therefore, "the committee judges that a moderation in the pace of asset purchases may soon be warranted".

Risk assets rallied and the CBOE VIX index – the fear gauge – dropped from a four-month high of 25.7 just before the Fed meet to 20.9. At the time of writing, it's 18.6.

To be sure, the Fed's announcement came simultaneously with the seeming resolution of the debt problems of Evergrande, China's second biggest property developer. Then again, the Fed was never worried about it. In his press conference, chairman Jerome Powell intimated that "in terms of the implications for us, there's not a direct United States exposure. The big Chinese banks are not tremendously exposed."

But with the Fed poised to start reducing its asset purchases as early as this month, and with the September dot-plot showing that nine of 18 FOMC participants expect the funds rate to increase in 2022 – up from only seven in the June 2021 meeting – financial markets should have been scared, very scared. Then again, methinks the bulls have it. The Fed's September Economic Projections provide the rationale and the justification for its planned action.

While it expects economic growth to slow to 5.9% in 2021 from the 7% it forecast three months earlier, it now expects GDP to expand faster next year (3.8% versus 3.3% predicted three months before) and in 2023 (2.5% versus 2.4%).

Similarly, it predicts the unemployment rate to be higher this year (4.8% from 4.5%) before declining to 3.8% next year and 3.5% in 2023 – both unchanged from its June forecasts. The same with inflation – expected to rise by 4.2% in 2021 (from 3.4% projected in June 2021) before slowing to 2.2% (from 2.1%) in 2022 and 2.2% (unchanged) in 2023.

These economic projections take into account the Fed's forecast for the funds rate to increase to 0.3% next year (from 0.1% assumed in June 2021) and to 1% in 2023 (from 0.6%) and, of course, continued tapering that markets expect will start soon.

A rosy narrative. But as the Fed admits, "the risks to the economic outlook remain". For sure and for certain, the Fed would be more than willing to change course should Murphy's Law prevail.

Powell wouldn't want to go out with a disastrous policy prescription for America – and the world – would he? His term expires in February next year.

Benjamin Ong is director of economics and investments at Rainmaker Information.

"It's funny. What do they expect when it's called Dogecoin?"

Jimmy Rees

Comedian Jimmy Rees hasn't been idle in lockdown. Instead, he's been having a lot of fun – he's been "The Guy Who Decides" online personality and the star of *Meanwhile in Australia, Byron Bay, Brighton*. He's also written a book, in collaboration with Gumtree, called *Ollie and the Spectral Spectacles*. The online platform approached Rees with the idea after finding that two out of three parents wanted their children to learn about money, but most didn't know where to start. Rees is well known from his time on the ABC Kids series *Giggle and Hoot*. He has a six-year-old son, Lenny (plus younger twins), and creating a book was the perfect way for Rees to get his son to read along and learn about financial literacy. The book is available on Gumtree as a free download.

What was your first job?

It was at a newsagency stacking shelves with magazines etc, and later the front counter. When I finished school I worked in a bar and bistro. I was keen on working full time consistently. I was a duty manager working eight- to 10-hour days. My first job in entertainment was on ABC Kids show *Giggle and Hoot*.

What's the best money advice you've ever received?

It's a tough one because I think it's having a goal. I think back to when I was earning a full-time wage at the pub. What was I doing with the money? I had a goal to move out of home. The advice is that if you have a goal you can work towards it, and if you don't have a goal you feel you can just spend it. I set myself a target of earning a certain amount a week, then saving a target.

What's the best investment decision you've made?

Investing in myself gives me the tools and knowledge to do what I'm doing now. I've invested in equipment, tools and time and spent money on different elements of the job I do now, which is making content and being my own boss. And that's paying off. I knew I wanted to up the values of my production. The software made it look better, and I invested more time in myself because I had nothing to do last year.

What's the worst investment decision you've made?

I think timing-wise we had a little bit of money at one stage and we invested in a property. We could afford it and it would stretch us a little bit, but it wasn't the right time. We had other things we hadn't expected (the twins). It could have been a great investment, but it wasn't the right time.

What is your favourite thing to splurge on?

I love to splurge on tech things, a new phone, a half-decent camera, a lens.

If you had $10,000 where would you invest it?

I would invest more in myself. The next step would be to get personnel to help – someone to hold the camera or edit videos – to ramp up the production. I'm doing sponsored things and comedy stuff and that keeps the channel growing and the sponsored aspect is reward for that.

What would you do if you only had $50 left in the bank?

I would try and stretch that money to support my family as long as I could. I don't know how that works because feeding my family costs $300-plus each week. I would be dialling back everything and working hard to make money.

Is there anything that's funny about money for you?

My friends and I dabbled in cryptocurrency years ago because Bitcoin went to $700 and we wanted to find the next one. Four of us each invested $150, sent money to Transylvania and we didn't expect anything in return. That's funny as well – what do people expect when it's Octopus or Dogecoin? Does anyone believe we'll be trading dog coins every day? There were new coins and the $150 we invested turned into $35,000 and we cashed in some of it; we lost some because we didn't know how to get it out.

Do you intend to leave an inheritance?

Definitely. As you get older it's something you think about, and I would like to have a nest egg for the kids.

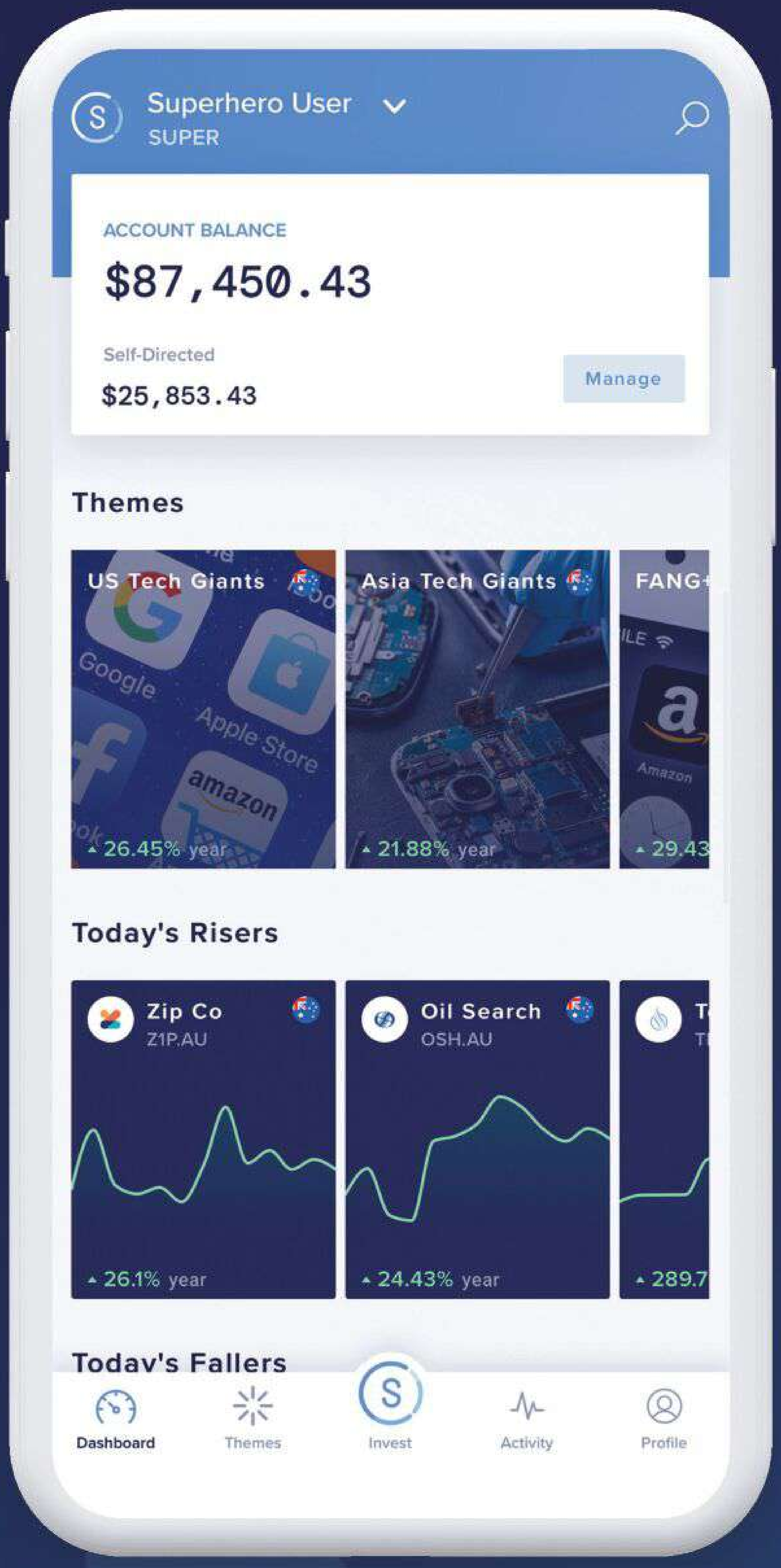
Would you like to see any changes with the way people look at money post-Covid?

I think it's been an eye-opener for a lot of people. It was an interesting time because I had to start from scratch a bit and that turned around quite quickly. I'm grateful it happened fast, but I think there was a moment when we thought we'd dial down our spending. We had a buffer that was draining quickly, but it changed our budget and how much we spend, what we need and what we don't need. And maybe to the detriment of some businesses out there, we don't need a lot of things. For three months we put our mortgage payments on hold because we weren't sure of money. It opened our eyes to the fact that the cost of living is expensive, but if you take a break for a second from doing extra things then you can be happy and content with less.

Finish this sentence: money makes ...

you comfortable but also makes you kind of stressed.

Control your super without an SMSF



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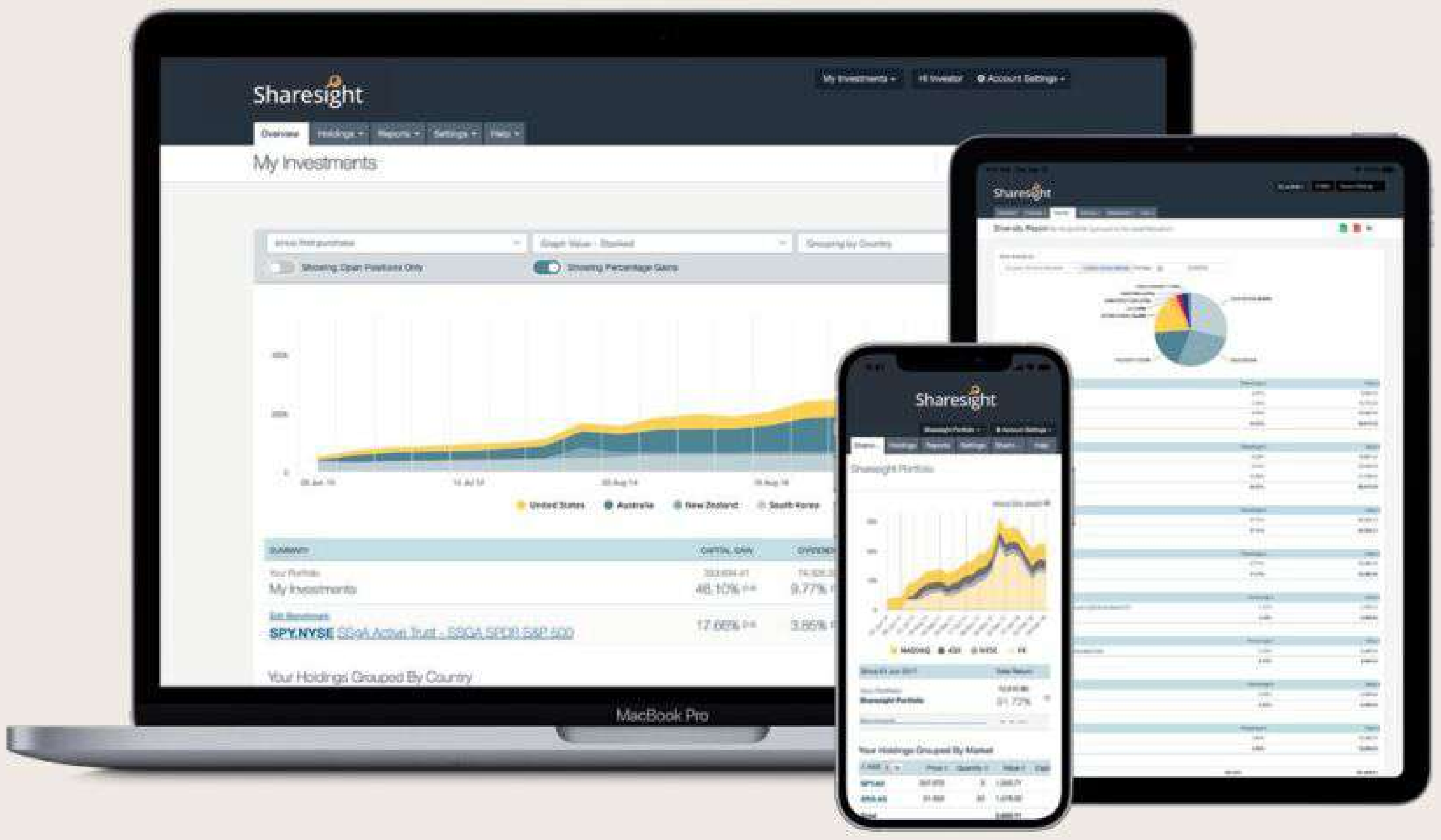

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